General News Optimism on the economy is shaping the farm vote as the Iowa caucuses near. Page 3. Fashlon

Mats Wilander of Sweden

on his way to defeating Pat

Cash of Australia to win the

Australian Open title on

Page 13.

Lacroix opened Paris fashion shows with a bang. Page 6. Business/Finance

Eastman Kodak will have to borrow heavily to finance its bid for Sterling Drug. Page 7. Carlo de Benedetti piedged to shake up Société Générale de Belgique if his bid for control is

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PARIS, MONDAY, JANUARY 25, 1988

ESTABLISHED 1887

New Talk

Of Afghan

**Neutrality** 

U.S. and Moscow

See 1955 Austria

Treaty as a Model

By Don Oberdorfer

and David B. Ottaway

Washington Post Service
WASHINGTON — The United

States and the Soviet Union have

begun discussing formal neutrality for Afghanistan based on the Aus-

trian model as international negoti-

ations on a Soviet pullout enter a potentially decisive phase, accord-ing to U.S. and Soviet officials.

The discussions, which were de-

scribed as preliminary, envision ar-

rangements similar to those that have assured the neutrality of Aus-

tria since the withdrawal of Soviet

After the signing of the Austrian

State Treaty by the United States, Soviet Union, Britain and France,

Austria declared perpetual neutral-

ity "of her own free will" and

pledged not to join military alli-ances or accept foreign military bases. The declaration had been

approved in advance by the great

powers and was part of the price of

the Soviet agreement to withdraw.

U.S. policy has long backed a

trality goes somewhat further both

as a legal concept and a practical

obligation not to cooperate in the

military activities of other nations.

der discussion because it is one of a

few instances in which the Soviet

Union has withdrawn its military

forces and domination since World

The Austrian model has been un-

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and Western forces in 1955.

# Missile Pact Meets U.S. Senate Reagan

#### **Election Politics and Rivalries Envelop Treaty Debate**

By Susan F. Rasky New York Times Service WASHINGTON - Against the backdrop of election-year politics, rivaines among senators and uncertainty over the future of arms
Onitrol the Senate begins consider.

Saturday, called the treaty "a solid

ation Monday of the arms treaty that Ronald Reagan and Mikhail S. Gorbachev signed at their summit meeting last month. The treaty would eliminate medium- and shorter-range missiles, which account for only a small nal. Yet it is significant because of

fraction of the world's nuclear arseits implications for the future of the North Atlantic Treaty Organiza-tion and its potential for laying the ground for more far-reaching arms accords between the United States and the Soviet Union. Senate leaders in both parties say

they have the 67 votes required to ratify the treaty. The question is whether they can muster and maintain the 51 votes needed to defeat so-called killer amendments that would impose conditions on the treaty requiring renegotiation with

and who is against, but how people will your on killer amendments," said the Senate assistant majority in a practical sense, the treaty has leader, Alan Cranston, Democrat already been ratified because

New York Times Service

WASHINGTON — Pentagon officials have endorsed a plan in-

tended to maintain the military halance in Europe after the with-

drawal of nuclear missiles under a

Defense Secretary Frank C. Car-

lucci and Admiral William J.

Crowe Jr., chairman of the Joint

Chiefs of Staff, believe that even in

the current era of flat spending on

military programs the new approach will permit increases in mil-

itary strength in Europe, according to officials familiar with the plan. The plan favors land-bases rock-

ets and artillery with increased

ranges, missiles capable of being fixed by secraft Hying hundreds of

miles from their targets, minimumed drones to collect intelligence and

attack important targets and elec-

tronic warfare systems such as ra-dio jammers. Traditional weapons

like tanks and fighter planes would get proportionally less emphasis.

ficials said late last year when it

appeared likely that the treaty ban-

ming medium- and shorter-range missiles would be signed. But it

Klosk

**Scargill Retains** 

Top Union Post

SHEFFIELD, England

(Renters) — Arthur Scargill narrowly retained the presiden-cy-of the National Union of

vineworkers after a significant

challenge from the more mod-

erate wing of the British coal miners' union, election officials

said Sunday. Mr. Scargill, 50, a Marxist hardliner who became a symbol

of resistance to Prime Minister

Margaret Thatcher when he led

a bitter and ultimately futile yearlong strike in 1984-85, beat

the moderate candidate. John

Walsh, 40,383 to 34,675 in a

poll of the union's 90,000 min-

ers. His strongest support came

The approach was developed, of-

new treaty. -

U.S. Sets Plan to Retain

Europe's Arms Balance

By John H. Cushman Jr. conveniently meets the administra-

of California. "I've endeavored to NATO has announced it will not get commitments from a majority of senators to oppose killer amend-ments. We're close, but we're not

Policy changes by President Reagan would further privatize the U.S. space program. Page 2.

one with the most extensive verifi-cation provisions in history."

The Senate majority leader, Robert C. Byrd of West Virginia, reflecting the views of both supporters and opponents, has called the treaty a stalking horse for another proposed treaty to reduce strategic nuclear arms. That accord is now being negotiated in Geneva. Mr. Reagan would like to complete it before he leaves office.

The treaty on intermediate-range missiles, Mr. Byrd said, "could very well be either the beginning or the end of arms control — the first step or the last step."

Other senators have noted that

tion's military arguments against

critics who contend that the treaty

leaves the Western alliance at a

severe military disadvantage in Eu-

idea "competitive strategies," de-

scribe it as an approach that ex-

Warsaw Pact's military and em-

phasizes the Atlantic allies' strong

The plan will make clear the Pen-

tagon's position on what other nu-

clear and conventional arms must

be deployed by the United States

and its allies in the North Atlantic

Treaty Organization. The plan is to

be presented to Congress as the

Senate considers the treaty climi-

nating intermediate range missiles

in Europe, which was signed last month by the United States and the

vantage in conventional military

strength while eroding the nuclear

deterrent. This argument is expect-

ed to dominate much of the debate

in the Senate on whether to consent

to the treaty, a debate that begins

In the hearings, military leaders

with the status one that will be left

after the United States removes

ground-launched cruise missiles

and Pershing ballistic missiles with

At the same time, military lead-

relatively few, but important,

changes to forces deployed in Eu-

rope the Allies can maintain NA-

TO's ability to deter war by in-

The military will not argue that

these changes can be made without

substantial spending, either by the

United States or its allies. But the

with hearings Monday.

their nuclear warheads.

allies would fail.

suits in technology and tactics.

Pentagon officials, who call the

To Seek accept any more U.S. missiles. Tax Cut "Even if the Senate voted the treaty down." said Senator Dan Quayle, Republican of Indiana, "the political reality is that those missiles are going to come out."

The debate will focus less on actual approval of the treaty than on how to restructure Western dechemical and conventional weap-ons. With Congress intent on holdtion provisions in history." ing down Pentagon spending to re-"It will make America and its duce the federal budget deficit, a allies more secure," the president major issue is whether America's European allies will raise their mili-

tary spending. But Senate consideration of the treaty will be shaped largely by the imperatives of election-year polities: a hard-line, anti-Soviet president seeking to establish his legacy as a peacemaker, Vice President George Bush and Bob Dole, the Senate Republican leader, fighting each other to succeed Mr. Reagan; and a restive Democratic Party looking for ways to reclaim the arms control issue and the White

Internal Senate rivalries became apparent late last year in the elaborate planning for the hearings and See TREATY, Page 6

MONDAY Q&A

Brent Scowcroft, the former

White House adviser, pre-

dicts easy Senate passage of

the INF treaty. Page 2.

itary payoff at any given level of spending.

NATO officials have not been

briefed on the approach, but U.S.

commanders have endorsed it, as

have the civilian secretaries of the

Basically, the policy seeks to em-

would disrupt the three key ele-

ments of any Warsaw Pact offen-

sive against Europe: the air cam-

paign, the attempt to break through NATO lines with columns of armor

tions that enemy commanders

See EUROPE, Page 6

Military analysts, working with

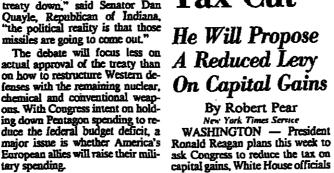
would use to control battle.

military services.

stant or decline.

ers will argue that by making a phasize the use of weapons that

creasing the likelihood that any NATO lines with columns of armor attack by the Soviet Union and its and the network of communica-



Such reductions "should be a cornerstone of tax reform for the 1990s," Mr. Reagan says in a draft gress. The document is to be delivered to Congress when Mr. Reagan delivers his State of the Union message Monday. It contains more detail than the speech.

Capital gains are the profits achieved through the sale of stocks and bonds, real estate and other assets held mainly for the purpose of investment. They are now taxed as ordinary income. The top rate for most individuals is 28 percent, although some wealthy individuals must pay 33 percent on some in-

"Experience suggests that lowering the capital gains tax may mean increased, rather than decreased, tax revenue," Mr. Reagan says.
"When capital gains taxes increase, investors tend to hold rather than sell their assets, passing their untaxed gains on to their children. In investors are locked into old invest-

saying that should be worked out in consultation with Congress. Aides to Representative Dan

capital gains tax. But they antici-pated that he would not support

Strip.

rest in the West Bank and Gaza local and foreign press.

Hospital records sh such a proposal, in part because of

The tax proposals are described as One of the most serious objections raised by opponents of the new treaty is that it would leave the tary spending is not allowed to an effort to "promote the general welfare" by giving individuals more freedom to control their own new treaty is that it would leave the NATO alliance at a severe disadmilitary selected for the largest possible mil-

> steady decline in the government's revenue from this tax," Mr. Reagan said. "By contrast, a reduction in the capital gains tax rate in 1978 and again in 1981 led to increases in capital gains tax revenue."

are expected to say that while the Joint Chiefs of Staff endorse the strategies," will be used to select treaty, they remain dissatisfied those weapons that deserve addiresearch center in Washington, said tional funds at a time when the there was no consensus among ex-Joint Chiefs concede that military perts on the effects of such reducspending by the United States and the allies will probably remain con-

"I believe that cutting capital gains tax rates right now would lose revenue," Mr. Minarik said.

Most of the Republican candidates for president have supported a reduction in the tax, arguing that it would stimulate investment and help create jobs. Liberal Democrats ridicule that idea, saying that higher-income individuals would benefit most from a cut in the tax and that unearned income should

See TAX, Page 6



nonaligned, sovereign and independent Afghanistan following the withdrawal of Soviet troops. Neu-

### Minister Defends 'Limited Force,' Mr. Reagan does not specify the optimum rate on capital gains, Denies Beatings Are Israeli Policy

JERUSALEM - Israel's police not given. Rostenkowski, Democrat of Illiminister, Lieutenant General Haim nois and chairman of the House Bar-Lev, said Sunday after a cabi-

General Bar-Lev denied that Mr. Reagan's legislative message is organized around the themes in of disturbances have drawn wide the constitution.

the areamble to the Constitution. read condemnation.

taken to indicate a change of policy, that the army would use had been clashes. might, power and beatings" to "When the capital gains tax rate crush the unrest and avoid adding was doubled in 1969, it led to a to the toil of at least 38 Palestinians to the toll of at least 38 Palestinians shot to death by Israeli soldiers.

Cabinet sources said, however, that Mr. Rabin and the army chief of staff, General Dan Shormon, told the cabinet Sunday that army had been ordered to use force to However, Joseph J. Minarik, an disperse demonstrators but to economist at the Urban Institute, a avoid beating them as punishment or after arrest.

There is no beating," General Bar-Lev said. "This is an unfortunate term. The policy is to use limited force, reasonable force, if this and order

■ Public Relations Problem

Increasingly concerned about 1988. what is widely seen as a major pubofficials are saying that the orders business downturn, which is always

regularities," or even that they were broke the hands of young men in

Since Mr. Rabin's statement last throwing week, military commanders, sol-Ways and Means Committee, said net meeting that the military was diers, foreign relief workers and he was willing to listen to argu-ments in favor of a reduction in the force to cope with Palestinian un-have been extensively quoted in the

Hospital records showed that more than 200 Palestinians had concern that it might reduce feder- troops had adopted a policy of been treated for broken bones or beatings to quell demonstrations in other serious injuries from beating the occupied territories, where Is- in the first three days after Mr. Many of the Palestinians were

taken out of their homes and beat-Defense Minister Yitzhak Rabin en in house-to-house sweeps by the said last week, in what was widely army through refugee camps and Palestinian villages where there had been clashes.

On the television now about night, the second item was about adverse reaction to Israel in the

ple and witnesses said, soldiers

an apparent effort to halt stone-

news coverage on public opinion, particularly in the United States, and, to a lesser extent, on possible harm to the mental health of the soldiers carrying out the orders.

See ISRAEL, Page 6

Concern among Israelis has fo-

cused primarily on the impact of The army lifted curfews Sunday

on most Palestinian refugee camps in the Gaza Strip; where 200,000 people had been prevented from leaving their homes for nearly two weeks. About 60,000 people re-

mained under curfew.

Soviet officials indicated that Moscow was interested in the Austrian precedent. Any such arrange-

ment would be in addition to the peace accords being negotiated in Geneva under United Nations aus-Details of a neutrality arrangement have not been worked out,

and a senior State Department official said Afghan neutrality would hinge as well on decisions by Af-

Afghanistan's neutrality is one of a number of unresolved issues, according to U.S. officials. The current focus of attention is

See AFGHAN, Page 6

# Wall Street Awaits Recession

#### For Many Economists, the Question Is Not If, but When

By Albert B. Crenshaw and Stan Hinden

Washington Post Service WASHINGTON - Waiting for is absolutely necessary to keep law the recession is the name of the game on Wall Street these days. A recession is seen by Wall

Street's economists and analysts as John Kifner of The New York inevitable. The key question is Times reported Sunday from Jerusa- when will it arrive. Most observers are betting on 1989 rather than

Either way, Wall Street is busy lic relations problem, government devising strategies to cope with a to beat Palestinians have been bad for the stock market.

changed, or clarified to avoid "ir- The possibility of a recession will

be a "dark cloud" that will hang ward pressure on interest rates that dence, said Hugh A. Johnson, economist with First Albany Corp. of Albany, New York.

trending lower around the 1,700 he said. level. It'll be a year with a downward skew." The Dow closed Fri- 1988?" statement, analysts at Merday at 1,903.51. Outside of Wall Street, where

opinions have not been so severely colored by the market's plunge in October, some economists think a recession can be avoided.

Lyle E. Gramley, chief economist of the Mortgage Bankers Association, forecasts modest growth for the economy, with improving performance in the second half. He said he thought "the prospects are reasonably bright" that the nation can escape recession at least through next year.

But even the most optimistic forecasters note that the expansion that began in 1982 has been under way for a long time by historical standards and is expected to run out of gas any time now.

Consumer spending, one of the main engines of the expansion, had begun to slow even before October. and the stock-market slide has damped it even further.

Analyzing the consequences of the consumer slowdown, and the whole market slump, economists look at the same facts and draw opposite conclusions. Henry J. Gailliot, an economist

at Federated Research Corp. in Pittsburgh, said he thought that the market crash increased the probability of a recession to more than

The crash was "superimposed on an old and extended business cycle," he said. Whatever the economic outlook at the time of the market's fall, the crash "had to make it worse."

On the other hand, according to Mr. Johnson, the stock-market crash may have been a blessing in disguise.
"It caused a retrenchment of

consumer spending that was very healthy," he said. "It pulled us back from a boom trajectory to a noboom, no-bust trajectory. It increases the chance of noninflation-

ary economic growth in 1988." Mr. Gramley expressed a similar view. The collapse eased the up-

over the stock market for some had been building through the eartime and affect investor confi- ly part of the year, he said, and lessened the prospects of a "gang-busters 1988" that would have led the Federal Reserve to a tighter Wall Street, he said, can look money policy—restricting the sup-forward to a "trendless but quite ply of credit. Economic boom fol-volatile" stock market "I see the lowed by tight money "tends to Dow Jones industrial average evolve into a recession scenario, In their "Where Do We Go in

Outside of Wall Street, opinion is divided, but even the most optimistic forecasters say the expansion that began in 1982 will run out of gas any time now.

rill Lynch in New York, said, "The Oct. 19 stock market collapse hurt, but did not cripple the economy. We expect no recession in 1988." But they added: "If the economy were to slip into recession, 1989 would be a more likely date than

As for the stock market, the analysts said, "We believe that 1988 will be positive for the stock market, but not across the board. The uncertainties that led to the bear market late in 1987 are likely to change, but not disappear in 1988. We expect one more test of the 1987 lows and a Dow Jones industrial average high of 2,300 to 2,400

for the year." Amid such a wide range of views, when even professionals come to diametrically opposed conclusions based on the same data, what is an investor to do?

"Be careful," said Greg A. Smith of Prudential-Bache Securities, and look for trends that can provide opportunity, especially in steel, duminum, papers, chemicals and technology issues.

"The industrial sector does seem to be improving," he said, "and there is every sign that the improvement is likely to last for some time. We have to invest in that trend." John D. Connolly, chief invest-

See OUTLOOK, Page 11

#### **Manigat Named Victor** In Disputed Haiti Vote leaders said double voting and oth-The Associated Press

PORT-AU-PRINCE Haiti -Leslie F. Manigat, a university prodidate of the military government, has been elected president of Hait, election officials said Sunday. Opposition candidates asserted that the vote was fraudulent

Mr. Manigat received 50.3 per-cent; or 534,080 votes out of a total 1,062,016 votes cast in the Jan. 17 election, according to results made public by the government-appointed Electoral Council. With 50 percent of the vote, Mr. Manigat avoids a run off.

Opponents of the government say the military helped Mr. Manigat to victory by distributing his ballots to soldiers, stealing ballot boxes at the close of polls and falsi-

fying tallies.

The government scheduled the balloring after an independently run presidential election on Nov. 29 was canceled because of violence. The leading candidates in that election refused to take part in balloting in November. the second balloting.
Final results from the vote

second with 210,526 votes; Gerard candidates split the remaining

68,463 votes. Election officials said 35 percent of three million eligible voters took part in the election, but opposition

er irregularities inflated the totals. The U.S. government said the fessor regarded as the favored can-elections could not be considered "free and fair."

**■ Economy Wobbling** Howard W. French of The New York Times reported earlier from Port-au-Prince:

On cable television programs, stores in the capital advertise for foreign exchange, offering to pur-chase U.S. dollars and travelers' checks at a premium over the official exchange rate of five Haitian gourdes to the dollar.

indication of Haiti's precarious linances and an omen of hardships to come for a military government that has lost most of its foreign aid. The United States, Canada, France and other donor countries cut their aid to Haiti by a total of

more than \$100 million after the

The advertisements are the latest

Haitian government canceled the Foreign diplomats said the cuts were meant to send a strong signal showed Hubert DeRonceray was that if the government continued to stray from its commitment to dem-Philippe-Anguste was third with ocratic elections and a new constitution, it could expect little help in meeting the crushing needs of the poorest country in the Western

> Without the foreign aid, diplo-See HAITI, Page 6



U.S. Envoy Attends Funeral for South African Editor Edward J. Perkins, the U.S. ambassador to South Africa, at a funeral service Sunday for Percy Qoboza, a black newspaper editor, in Soweto, South Africa. The police banned flags and placards at the service and prohibited laymen from giving speeches without police permission.

agreement is the first in a series of potential disarmament accords. The next is expected to be an agreement halving the U.S. and Soviet arsenals of intercontinental nuclear missiles. Brent Scowcroft was national security adviser to President Gerald R. Ford. He talked with Joseph Fitchett of the International Herald Tribune about the risks and opportunities of such an clude a START treaty and get it ratified

Q. Do you anticipate that Senate deliberations on ratification of the INF treaty will produce political surprises?

A. The outlook for ratification is quite good, and the treaty should pass without lments or reservations that would force the Reagan administration back to renegotiations with the Soviets. Treaty opponents will concentrate their efforts on dragging out the hearings long enough to prevent this administration from getting a START treaty [on cutting inter-

The Intermediate Nuclear Forces ty would have to be submitted to Condauntingly complex, wouldn't change it could leave us in a troubling situation.

greement is the first in a series of gress by early June in order to be ratified much of what both sides are going to The difficulties will become sharply apbefore the mid-summer party political conventions concentrate U.S. politics on the presidential campaign. Of course, negotiations can proceed meantime, but I think it's unlikely that President Reagan, even though he badly wants it, can con-

#### MONDAY Q&A

before he leaves office.

Q. Would a ratification process, running beyond, say, March, hold up START talks between the two delega-

A. The negotiations can certainly progress. I think there's a real possibility, for example, that the two sides won't be able to agree on complicated sublimits putting ceilings on the numbers of each kind of weapon in the superpowers' arsenals.

Basically, a deal is already cut in which o prevent this administration from get-ing a START treaty [on cutting inter-based missiles and they get reductions in our missile-carrying submarines. That basic trade-off is ratifiable, and an agree-ment on additional sublimits, which is

have to do anyway.

Q. How does the dispute over the Anti-Ballistic Missile Treaty of 1972 affect the problem of potential linkage between a START treaty and the Strategic Defense

A. At the Washington summit, it was agreed to observe the ABM Treaty as signed, an interpretation glossing over the two sides' differences about the socalled "broad interpretation" advocated by the Reagan administration. I think the Soviets calculate, correctly, that Congress will prevent any testing that seems to violate the spirit of the ABM Treaty. This wouldn't necessarily kill SDL but it is unlikely that a program that can't be tested will be fully funded. So the Soviets would have got what they wanted.

Q. Would a delay on START be a

major setback to the overall diplomatic process aimed at improving strategic sta-

A. INF has greater potential political impact than START. INF affects the don't compensate for INF's weaknesses.

parent as START takes shape, because it will cut U.S. strategic forces precisely at a time when we need missiles to cover targets left uncovered by the elimination of INF missiles.

Q. Don't technological advances, by providing more accurate missiles, make it

easier to live with fewer warheads? A. The trouble is that START counts warheads, so we risk being left with many fewer weapons if we retire older weapons and keep newer, multi-warhead systems. Our siles, for example, could be cut from 1.000 to 300 or 400, and we will be able to keep only about 14 submarines. This outcome increases our vulnerability.

Q. What do you think should be done about these potential vulnerabilities? A. We ought to be spending more money on a new mobile, single-warhead missile and on new, smaller submarines with fewer warheads so they could be dispersed and survivable.

impact than START. INF affects the Both projects are expensive. Presidents Western alliance as a whole, and if we never say it, but arms control ought to cost us money. That means doing what

changes in the strategic environment. But Congress, of course, will be looking for a peace dividend in the form of reduced

military spending.

Q. Will the military repercussions of a START treaty affect the defenses of U.S.

A. The allies can be relatively relaxed about the negotiations, but there are some indirect concerns. One is the risk that the U.S. defense budget, which is liable to decline, may have to cover new programs to eliminate vulnerabilities arising from a START treaty. This could squeeze the U.S. ability to help finance the wider build-up of conventional forces that is needed to compensate for the INF

And a START treaty will have indirect impact on the British and French nuclear deterrents or, more precisely, at plans to modernize them. Right now, the two countries' total of 140 warheads looks inconsequential to Soviet planners. But if they go to 1,000 warheads, as they plan, that would be a considerable force that would get the Soviets' attention. The pressure to stop modernization would be particularly strong in Britain.

# **Privatization of Outer Space**

#### Reagan Wants Agencies to Purchase Launch Services

By William J. Broad

NEW YORK — In a series of Space Administration is about \$9 recent policy decisions, some billion. known publicly and some not.

President Ronald Reagan has acbeen opposed by NASA officials celerated his campaign to increase and in recent days have been the the role of private enterprise in the subject of bitter battles within the

In addition, administration officials hope they can set in motion lic, aspects that have emerged alforces that will change the basic ready have brought praise and procharacter of both the civilian and test from experts outside the

yond previously announced efforts come too late in the administrato support private ventures in tion's tenure to stick. Others say space, include ordering govern-they are simply a government sub-ment agencies to use commercial sidy to big business that diverts Advanced Launch System, a giant rockets when possible, encouraging attention from more fundamental government agencies to stop de- space issues. signing space hardware when in-

productivity from the government's own \$25 billion-a-year cern in Cambridge, Massachusetts. space program by fostering its increased reliance on private indus- tors are fueling the commercial nation's nascent private space in- strides of foreign rivals and a huge cies to break, a move that would dent of government and its subsi- new government space plans.

tions and space cameras and could rather than controlling their own cellation of space contracts.

ultimately lead to private space rocket fleets. The National Security In a change championed I

condition of anonymity.

takes off, the commercial area space plan. founding could be equivalent to NASA" in Since the Challenger explosion dustry. could be equivalent to NASA" in

Some of the new policies have

administration, officials said.
Although few details are yet pubthe military space programs.

The initiatives, which go well betives as nearly useless, saying they

But advocates of space comdustry can do the job, putting a cap merce say the initiatives could on the liability of private space ven- mark a turning point in the history

One aim, say the officials behind important," said Peter E. Glazer, the policy shifts, is to coax greater vice president of Arthur D. Little

Federal experts say several fac-

size, he added. This year's budget in January 1986, NASA officials for the National Aeronautics and have expressed a desire to rebuild a Space Administration is about \$9 mixed fleet of rockets and space shuttles under its control. The new policy would prevent this. While NASA has always used industrial subcontractors in building and launching its rockets, the policy aims to curb the agency's role, forcing it simply to buy rocket services

So too, rules will discourage NASA, the air force and other agencies from crafting their own rocket designs, pushing them to rely instead on industry for much of that work. This idea already is being applied in the creation of the unmanned "super booster" expect-ed to lift 100,000 pounds (45,400 kilograms) to 150,000 pounds into space in the 1990s at about onetenth the current cost.

tures and removing policy barriers of the space program.

Seven contractors are competing to creating new space devices.

"This kind of action is terribly to come up with preliminary designs. Previously, federal design bureaus played a much larger role in such research, design and devel-For private ventures, the new

try, which they see as more effi- push, including the two-year tracts signed with the government cient. A second goal is to spur the grounding of the space shuttles, the would be more difficult for agendustry to become a force in the federal budget deficit that has "insure government agencies are international space race indepen- dimmed the prospect of expensive reliable customers for commercial space goods and services," accord-Most immediately, the directives ing to the National Security Coun-The policy shifts are aimed at encourage federal agencies to buy cil. Experts say a problem in the such fields as rocketry, space sta-

In a change championed by the ports and moon bases, federal offi- Council applied this with special Economic Policy Council, the rules launching science payloads, achitting cities. Experts say similar government.



David Steel, the Liberal Party leader, and his wife, Judy, after the vote in Blackpool.

#### U.K. Liberals Endorse Party Merger

BLACKPOOL, England - The

Liberal Party has voted overwhelmingly to accept a merger with cials say.

force to NASA, stressing that the would reduce the risk of private the Social Democrats in an effort to "We're attempting to stimulate agency is now "prohibited from space ventures by putting a cap on consolidate Britain's disjointed the civil sector," said a White maintaining unmanned rockets as liability in case of accidents, from centrists into a force that could House official, who spoke on the an adjunct to the shuttle for disasters in space to errant rockets shake the Conservative hold on the

cial Democrats are to hold a similar eral election in June quickly fell meeting this week. If accepted into disarray. The Social Demothere, the merger question will be cratic leader, David Owen, a deterput to a ballot of the entire mem- mined opponent of the merger, rebership of both parties.

months of dissension.

The Liberal Party leader, David

Earlier this month, Liberal legisSteel, had called for a vote "well lators revolted over a policy stateover" the necessary 2-to-1 margin ment issued by Mr. Steel and Robfounding of the nuclear power industry.

adopted 2,099-385 Saturday at a
special party convention. The Sothe two parties' alliance in the genument.

cording to the Tass press agency.

the country's economic perfor-

mance in 1987 and the results in

Tass issued a string of reports on

On Friday, the Council of Minis-

ters said all branches of the econo-

my met their targets for improve-

ments in labor productivity, a key to Mr. Gorbachev's efforts to in-

crease both the quantity and quali-

But on the whole, the Tass re-

ports indicated mixed results in the

Kremlin's campaign to streamline

the economy, introduce new tech-

ty of Soviet output.

# Zhao Pins China's Future on Exports

By Daniel Southerland

Washington Post Service BEIJING — In his first major policy statement since becoming China's Communist Party leader nearly three months ago, Zhao Zivang has announced an economic plan that could open China to broader foreign trade and invest-

In a lengthy statement published throughout China on Saturday, Mr. Zhao instructed coastal provinces to establish links with foreign investors and to attempt to enter world markets. A Western economist said Mr.

Zhao's statement represented "a major conceptual turning point" that will convert China into more of a free-trade zone and offer greater opportunities to foreign busi-

The policy, which will emphasize exports, could make China a trading competitor of such countries as South Korea, Taiwan, Hong Kong, Singapore and even Japan, the economist said.

Mr. Zhao called for greater use of foreign expertise to manage the country's low-cost labor as part of the effort to increase exports, saying anyone, Chinese or foreign,

> By Fox Butterfield New York Times Service

in a single malt.

Chinese should not resent foreigners making a profit if they also provide some benefit to China, Mr. "If foreign businessmen in joint

ventures make more money by exporting products, we can also get an increased share," he said. Although foreigners have been able to invest in China since the

late 1970s, the total investment coming from outside China has been disappointing to many Chinese and foreign experts. The main problem has been the

inability of many foreign compa-nies to convert their Chinese currency earnings into foreign ex-change in order to take profits out of the country.
Until recently, China has been

reluctant to approve all but a few wholly foreign-owned enterprises. er Chinese leaders have been im-Most enterprises using foreign capital are joint ventures. But Mr. Zhao's statement indicated that more widespread foreign owner-ic growth largely through exports. ship was envisioned.

should be permitted to run a businese being a few steps ahead of coast and the poor inland provness in China.

perestroika, or the economic reinces.

Mr. Gorbachev made the point that he approved of foreign companies doing business in his country as long as they helped improve the efficiency of the Soviet economy.

In Washington, Roger Sullivan of the Council for U.S.-China Trade called Mr. Zhao's policy statement "a good sign" for U.S. companies trying to do business in China. "This will reduce the foot-drag-

ging by the Chinese bureaucracy, but it won't eliminate it," he said. "It will make things better, how much better we don't know." Analysts said Mr. Zhao and oth-

A potential negative impact of Mr. Zhao's statement also shows the new policy is that while speedthe nearly parallel economic poli-cies that China and the Soviet zones, it will increase the economic Union are following, with the Chi- gap between the more developed

structuring, taking place under the direction of Mikhail S. Gorbachev.

But Mr. Zhao justified this, saydirection of Mikhail S. Gorbachev. During a meeting in Washington between the coastal and inland ar-last month with U.S. businessmen, eas, "it is impossible to promote economic development in different parts of the country at the same high speed."

Nearly one-fifth of China's population of 1.07 billion, including the most highly trained workers, lives in the coastal provinces. A Western economist said one

reason for the decision to opt for export-led growth was that China was benefiting because of the foreign currency appreciation in such countries as Japan, South Korea

and Taiwan.
Because China's currency is linked to the declining U.S. dollar, Chinese exports have become relatively cheaper, while export prices have climbed for the other coun-

Last year, China exported a restatements last month reported by The Associated Press. Zheng Tuobin, minister of foreign economic three trade partners are Japan, relations and trade, said China's Hong Kong and the United States. relations and trade, said China's



Zhao Ziyang

exports from January to November were more than 14 percent higher than in the same period in 1986. The country ran a trade surplus with the United States, exporting \$2.6 billion worth of goods, he said. cord \$34 billion worth of goods and Mr. Zheng did not give import fig-reported its first trade surplus since wes, but the U.S. Commerce De-1983, according to a trade official's partment has predicted the U.S.-China trade imbalance would be \$3.8 billion for 1987. China's top

# Automobile Rally

low a transcontinental automobile

# In Caracas Detour The press agency said the lower result was due to "the failure to accomplish tasks for saving finan-

the Touring and Automobile Club of Venezuela, said environmental made at a cabinet meeting attended by President Jaime Lusinchi and ommended the ban.

#### rose in 1987 by 3.3 percent over 1986 but that the figure was not as high as officials had hoped. Tass did not give the target figure. cial resources, to lagging agricul-tural production and a decline in foreign trade revenues."

Tass said the gross national product was calculated using United Nations methods that determine the sum of "all enterprises, organi-zations and the population, both in the productive and nonproductive rally sponsored by the Exploration spheres, and depreciation deduc-Tass said the volume of foreign

trade, estimated in current prices, dropped during the year by 2.2 per-

Depressed prices for oil and gas, the Soviet Union's most important export commodities, may have been partly to blame.

protection groups had "manipulated and twisted information." The decision to prohibit the raily was Agricultural production rose by ries and grapes declined from the

870 billion rubles, Tass said.

WORLD BRIEFS

Police Kill 10 Bangladesh Protesters
CHITTAGONG, Bangladesh (AP) — The police shot and lifter a least 10 people Sunday after an opposition leader, Hasina Wallesh President Hussain Mohammed Ershad Sheikh Hasina was not have our hours of the course of the

of President Hussain Mohammed Ershad, officials said.

Sheikh Hasina was not hurt, and shouted at the police to hold their fire. In four hours of hit-and-run street battles, the police fired rifles and lear gas guns and led baton charges while demonstrators threw homemade bombs and set cars ablaze, winesses said.

Senior police officials and a high-level government official, all of whom asked not to be identified, said that at least 10 people were killed. Sheith Hasina, the leader of the Awami League, said at a news conference that 11 people had been killed and that more than 200 had been injuried.

#### Thais Routed at Border, Laos Says

BANGKOK, Thailand (UPI) — Thai forces fled after Laguan troops pushed them back in a disputed border zone, inflicting heavy ossailties and seizing three positions taken earlier by Thailand, Lao National Radio

reported Sunday.

The radio said That forces "mobilized infantry forces, supported by artillery, to launch attacks against positions of our regional armed forces in Na Bonoi canton on many occasions." It said Laotian forces repulsed each attack and forced the Thais to retreat.

Thai officials said at least 32 Thais and an estimated 70 Laotians have

been killed in the dispute. Laos has not allowed independent observers to enter the area of fighting, about 270 miles (435 kilometers) north of Bangkok. The dispute dates to a 1907 treaty that delineated the border but left some uncertainty about a 27-square-mile strip of hilly ningle.

#### Amal Militia Lifts Siege of 3d Camp

TYRE, Lebanon (Reuters) — Lebanese Shiite Amal figliters lifted a

TYRE, Lebanon (Reuters) — Lebanese Shiite Amal fighters lifted 1
14-month siege of the Rashidiyeh refugee camp Sunday, witnesses said ht was the last of the Palestinian camps cut off by Amal forces.

The witnesses said hundreds of Amal militiamen withdrew from positions around the camp, 45 miles (80 kilometers) south of Beisut, Amalsources said Lebanese police would deploy Monday in and around the camp to guarantee the movement and safety of its 17,000 inhabitants.

Nabih Berri, the Amal leader, announced Jan. 16 that his fighters would lift their siege of two camps in Beirut and the Rashidiych camp as a tribute to Palestinian protests in the Israel-occupied West Banf and Gaza strip. Syrian troops took over positions Wednesday in and around Beirut's Charila and Burj al-Brajneh refugee camps after Amal fighters left them.

#### Italian Confidence Vote Tests Budget

ROME (Reuters) — Prime Minister Giovanni Goria, challenged by a revolt over the delayed 1988 budget, goes to Parliament on Monday for a vote of confidence in his five-party coalition government. Sources in Parliament said deputies would vote twice in open votes The main aim of the vote, called by coalition loyalists, is to stop the projected 1988 deficit of 103,500 billion lire (\$84 billion) from being swelled by pension rises pushed through by the Communist opposition.

with backing from coalition rebels.

The confidence vote was announced Saturday by Treasury Minister, Giuliano Amato, who told deputies that Italy could not go on "digging into deficits" to pay for welfare programs.

# González Foes Make Strong Showing MADRID (Reuters) — Leftist critics of the economic policies of Prime

Minister Felipe González made an unexpectedly strong showing as the convention of his Socialist Party ended Sunday.

Mr. González, who is under fire for rising unemployment and social inequalities during his five years in office, easily retained control over the Socialist Workers Party, but Socialist Left dissidents polled 22.5 percent in the final vote to win one-fourth of the seats on the party's policymaking Federal Committee.

#### For the Record

The East German authorities have allowed 54 dissidents arrested for staging a demonstration Jan. 17 to leave the country, West German officials said Sunday.

(AP)

President François Mitterrand of France will announce in March whether or not he will run for a second term as president in elections that begin April 74, another Socialist presidential possibility, Michel Rocard,

#### TRAVEL UPDATE

#### as a signal of solid support after months of dissension. ert Maclennan, who succeeded Mr. Owen. But last week party negotia. Strike Reduces Flights From Rome.

ROME (Reuters) — The Italian state airline Alitalia and its subsidiary ATI canceled one third of their flights from Rome on Sunday, and other flights were delayed because of an unauthorized strike by ground staff, airline officials said.

Administrative ground staff in Rome also planned three-hour strikes. Tuesday and Friday in defiance of union leaders, the strike organizers said. Unions, which are seeking salary increases and changes in working conditions, have called three-hour regional strikes by ground staff from Friday to Feb. 16 and a nationwide 24-hour stoppage by ground staff, cabin crew and air traffic controllers for Feb. 19.

In another contract dispute, workers for the state-run railroad are set to strike from Thursday to Feb. 1 at various hours. Rail strikes are also threatened for Feb. 7 and 16. Ferry workers at the Tirrema Navigazione company said they would strike for 48 hours sometime between Friday

MOSCOW — Lagging farm pro-duction, a drop in foreign trade off a strike threatened for Monday and Tuesday but said that they might revenues and sportry success in sav- walk out later in the week. They oppose the airline's practice of chartering ing money kept Soviet economic aircraft to maintain service in previous strikes.

Traffic at the Brussels airport returned to not Traffic at the Brussels airport returned to normal over the weekend

after four days of strikes by air controllers, but new strikes could start Monday, airport officials said.

#### This Week's Holidays Mikhail S. Gorbachev's drive for perestroika, or restructuring of the

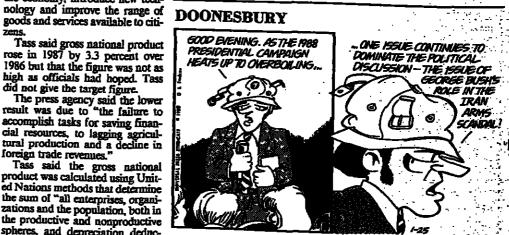
Banking and government offices will be closed or services curtailed in the following places this week because of national and religious holidays: MONDAY: Australia

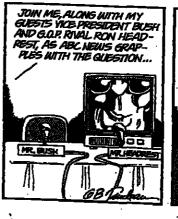
TUESDAY: Australia, Dominican Republic, India. WEDNESDAY: Monaco. THURSDAY: Rwanda

FRIDAY: Brunei, Macao. SATURDAY: Macao. SUNDAY: Macao.

Source: Morgan Guaranty Trust Co., Reuters

#### **DOONESBURY**







GEORGE BUSH:

Isle of Jura



**Experts Discount Plan Backing Madame Chiang** 

Some elderly conservative leaders of the Nationalist Party in Taiwan have sought to install Madame

Chiang Kai-shek, 90, as chairman of the party after the recent death of President Chiang Ching-kuo. f President Chiang Ching-kuo.

But U.S. officials and Chinese as soon as possible, to demonstrate specialists say the plan, which stability. The flavour of an island

would undercut the authority of the new president, Lee Teng-hui, a native Taiwanese, appears unlikely to succeed.

Instead, the experts say, there is growing evidence that moderate leaders of the Nationalist Party and the military. Madame Chiang left Taiwan soon after Chiang Kai-shek's death in 1975 and went to live on Long al process" that resulted in his belief leaders of the Nationalist Party and the military. Madame Chiang left Taiwan soon after Chiang Kai-shek's death in 1975 and went to live on Long al process" that resulted in his belief leaders of the Nationalist Party and the military. Madame Chiang left Taiwan soon after Chiang Kai-shek's death in 1975 and went to live on Long al process" that resulted in his belief leaders of the Nationalist Party and the military. Madame Chiang left Taiwan soon after Chiang Kai-shek's death in 1975 and went to live on Long along well with Chiang Ching-kuo, her lusband's son by an earlier marriage.

since the Nationalists, or Kuomin-marriage. tang, fled to the island from main- She returned to Taipei in April

UNIVERSITY DEGREE BACHELOR'S . MASTER'S . DOCTORATE

Send detailed resume PACIFIC WESTERN UNIVERSITY 600 N. Sepuivado Bivd., Los Angeles, California, 90049, Dept. 23, U.S.A.

and China in 1949.

On the 100th anniversary of her Although Taiwanese make up 85 husband's birth, and stories spread percent of the population, they are that she was receiving senior generals als and party officials. There was intense political maneuvering after Mr. Chiang died on Jan. 13, U.S. officials said. But they

believe that mainlanders in the par-

ty and members of the Taiwanese

opposition had acted responsibly to avoid any open split or create fear that Taiwan was moving toward independence. Mr. Lee is known to advocate moderate changes, gradually putting more Taiwanese in positions of

#### **GNP Growth** Is Short of **Soviet Goal** The Associated Press

# **Ecology Groups**

New York Times Service

CARACAS — Bending to pressure from environmental groups, the government has refused to al-

The event's organizers said the rally would still take place from April 10 to May 4 but would start in Colombia instead of Venezuela. Leopoldo Barbosa, a director of

previous year, Tass said. the environment minister, Guil-lermo Colmenares Fimol, who rec-32 billion rubles in 1987 to exceed la la Came to Be

4950 October 111 121 - ಇರುವ ಬಮ್ಮು ನಿನ್ನ ಜಿತ್ರೆಸ್ Topics in the second Z(121 -- 19 State and the Table the sale of the sale of Media are selected in the sele

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esh Projesien To lesion and hills a leader, Flasina Wazal is its idemanding the resignal of ficials said.

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To people were then some aid at a news conference for han 200 had been injusted r, Laos Says nces fled after Lauten tone one, inflicting heavy causing Thailand, Lao National Rafe

infantry forces, supponed by s of our regional armed for t said Laotian forces reputed ment dealership, the conversations are different, more upbeat. These boys are talking about buying the 80 acres next door or trading up for a new combine," said Mr. Rosene, in estimated 70 Laores in in estimated to Laolinnian viwed independent observing ices (435 kilometry) total of the total atty that delineated the bade re-mile strip of hilly juage. whose own business last year was as good as it has been any time ce the 1970s. "I don't think any-In about two weeks, voters in

e of 3d Camp Shine Amal fighter site; amp Sunday, winessessed aff by Amal forces. d militiamen withdraw is ometers) south of Benet And y Monday in and around to the party of its 17,000 inhabitant acced Jan. 16 that his fight t and the Rashidiyeh campar acti-occupied West Bank at ons Wednesday in and see

te Tests Budge ovanni Goria, challengel bi to Parliament on Mondayin; ion government onld vote twice in open une alition loyalists, is to son to lire (\$84 billion) from big by the Communist opposit Saturday by Treasury Main

Italy could not go on diam Strong Showing

a state where the economy is so f the economic policies of his dominated by agriculture, is sure to emerge in the final debates among pertedly strong showing as a šunday. the presidential contenders in ising unemployment and me

he seats on the party's polic agribusinesses. Statewide unemployment is down, and land values. which fell 65 percent over the previ-

owed 54 dissidents anestel a we the country, West Gener

ence will announce it Mai em as president in denom de atial possibility, Michel Rocal

**PDATE** 

ts From Kome tirline Alitalia and its subside om Rome on Sunday, and the thorized strike by ground at

also planned three-hourse ? in leaders, the strike organic icreases and changes in with nai strikes by ground suffic hour stoppage by ground as s the state-run raircad acen Feb. 10.

ous hours. Rail strike and kers at the Tirrenia Navigna hours sometime between fit French domestic artist de ruesday but said that the

he airline's practice of charge ed to cornal over the sale

be closed or services consider f national and religious losses

Margan Guerran Trial (a line

Seeger and two other folk sing-ers, Guy Carawan and Frank Hamilton All lour are white. All

ticks with you."

notes Caryle Murphy in The Washington Post, "King's words proved prophetic."

Egg consumption is still droppine. In 1976, Americans ate 276 tags a year per capita. This is expected to fall to 246 this year. At the peak, in 1945, a typical American consumed 400 eggs a year, according to the U.S. Department of Agriculture. It said



the talk used to be of hard times

and worse choices: who was in trouble with the bank and who had

already gone broke, who wasn't go-

ing to be around come spring, when

But these days, says Bob Rosene,

who owns the local farm-imple-

Perry and other towns across Iowa

preference for president in the state's political cancuses.

state's farmers still are in some fi-

rural economy did improve in 1987 probably has blunted the political

npact of the farm problem. It also

has diluted an issue that Democrats

hoped would yield a bumper crop

of supporters at next month's cau-

"When the pig's not caught un-der the gate, he doesn't squeal," said Mr. Rosene.

Martin Terrill, who is a sheep

farmer and also acts as a mediator

in farm-creditor disputes in Dallas

County, added: "Things have been

Indeed, much of the political

rhetoric in recent weeks has turned.

in part, on the rhetorical question:

Is the farm crisis over in lowa? The

question, essential to the politics of

for some optimism.

While the farm recession has left

will gather in their chorches and

was time to plant the com.

As Iowa Caucuses Near,

last week, Governor Terry E. Bran-PERRY Jours — Down at the stad, a Republican, declared, "The misty gloom of the last decade is cleaning in Iowa." He said 1987 was Maid-Rite stack bar, where farmers from Dallas County have long sought refuge on winter mornings, the best year in the state in 10

> In the Republican presidential race, Senator Bob Dole of Kansas finds that the farm bill passed by Congress in 1985 is a useful leitmotiv for one of his central themes in Iowa: that he hails from a Middle Western farm state and thus understands the region's problems better than Vice President George Bush

does. Reminding a campaign gathering in Dallas Center last week of his role in shepherding the legislation through Congress, Mr. Dole said:
"The '85 farm bill has meant a lot one would say the crisis is over, but to this state. There may be one or there is definitely a better attitude two farmers in the audience today who wooldn't be here without it."

However, Democrats such as Representative Richard A. Gephardt of Missouri, who has camtown halls and schools to vote their paigned extensively in rural areas and sought to build a constituency among family farmers, has argued that the crisis endures.

deep scars in Iowa's rural landDixon Terry, head of the League of Rural Voters, one of several progressive farm groups, says the imnancial distress, the fact that the provement in farm income last year was illusory.

"The reasons that 1987 was a better year had nothing at all to do with national farm policy," said Mr. Terry. "It was a result of good weather and bumper crops and a better market for livestock." Farmers are still at risk, he says.

as a result of a federal farm policy that, more and more, has made farmers depend on government subsidy checks for their survival. Mr. Terry says he is incensed by those who say the crisis is over. He down so long, everyone needed a said: "It makes me angry that my year like this. Everybody's ready neighbors, hearing this talk, are said: "It makes me angry that my one who is still in trouble?"

But for others, things have clearly turned around. Dennis Schwitters, executive vice president of the Iowa-Nebraska Farm Equipment Association in Des Moines, said that because of the subsidies, net farm income has improved and money is circulating in local towns, that indicate that things have, inthe dissidents polled 21 pan deed, become better, both for So what if the money con There are objective measures driving up sales of farm imple-"So what if the money comes

small, family farmers and for large from subsidy payments rather than agribusinesses. Statewide uncon-the market," said Mr. Schwitters. That money spends, too." At the same time, Mr. Schwitters cent last year. Meanwhile, the cu- of high interest rates earlier this decade, followed by a cycle of low

ter. In a speech before the com- are now only 417.



John B. Connally Jr. and his wife, Nellie, viewing some of the household belongings they will part with due to bankruptcy.

By Elaine Sciolino

**Brazil Seeks** 

**Arms Sales** 

In Mideast

By Juan de Onis

International Herald Tribune

ently making a successful drive in

the Middle East arms market to

expand its position as the largest

arms exporter among the develop-

Early this month, the 42-ton Bra-

zilian tank Osorio was selected by

Saudi Arabia, which will nurchase

1,200 of the vehicles. And last

week, a high-level Libyan military

mission visited Brasilia to discuss a

major purchase of tanks and mis-

estimated at \$2 billion.

The value of the Saudi contract. would be \$5 billion, according to

Engesa, the Brazilian manufacturer. Brazil has agreed to set up an

assembly plant for the tanks in

Saudi Arabia and to train maintenance personnel. The first 236

tanks are to be delivered this year.

arms contract won by a Brazilian manufacturer also was with Saudi Arabia, a \$500 million deal under

which Avibras Sistemas Aerospa-cias-is delivering Astros-2 multiple

rocket launchers.

Brazil's large industrial capacity is the basis for the country's competitive arms industry. In 1987 steel and automotive plants in Brazil

produced \$3 billion of goods for

export.
The country has established its

credentials as an arms supplier in the Middle East by selling of bil-lions of dollars worth of weapons to Iraq, almost since the start of the

war with Iran. The main items that

Brazil has provided to Baghdad

have been armored personnel carriers, combat cars for desert condi-tions and missile launchers.

In 1986, Brazil bid successfully

to supply Egypt with 1,000 Tucano jet trainers. The Tucano is pro-

duced by Embraer, the Brazilian state aircraft enterprise. Embraer also manufactures the Bandeirante

and Brasilia passenger airplanes. Embraer, in a joint venture with

Italy, is preparing to produce the sub-sonic AMX fighter-bomber at a manufacturing plant in São José dos Campos, in São Paulo Prov-

In price and technology, this tac-tical aircraft has been designed to be accessible to developing coun-tries. It also will be used by Italy,

and will replace old U.S. F-5s in the

The visit to Brasilia of the Liby-

an mission, led by Colonel Ahmed Mahumad Ali, director of procure-

ment for the Libyan Army, marked

the last stage of a rapprochement

between the two countries after a 1984 diplomatic incident.

Libya, which earlier had pur-chased Brazilian military vehicles

such as the Urutu armored person-nel carrier and the Cascavel ar-

mored car, was cut off from Brazilian sales in 1984 after Brazil

discovered an arms shipment

bound for Nicaragua aboard a Lib-

yan cargo plane.

The Libyan aircraft had landed in northern Brazil for refueling. A

manifest said that the plane was carrying "humanitarian" supplies. During the visit last week, Colo-

nel Ali met with the army minister.

General Leonidas Pires Gonçalves; the air force minister, Brigadier

Otávio Moreira Lima; and Roberto de Abreu Sodre, the foreign minis-

The newspaper O Estado de São

Paulo quoted Army Ministry

sources as saying that the Libyans

had shown interest in a new line of

ground-to-ground missiles with a

range of up to 620 miles (1,000 kilometers). There was no com-

ment from official sources.

Brazilian tactical command.

The largest previous foreign

BRASILIA - Brazil is appar-

## Auction Tarnishes a Tough Texas Icon

By Peter Applebome

HOUSTON - His eye took in a quartermillion-dollar painting fabulous antiques and imposing mementos of fame and power, but as he looked across the possessions of a lisetime on Friday, John B. Connally Jr. found himself musing about a 12-gauge shot-gun he won at the Grand National Quail Shoot in Enid, Oklahoma, in 1967.

"We had a team from Texas that competed against 30 teams from around the country, and after two days of shooting we won first place," said the former governor of Texas, U.S. Treasury secretary and presidential aspirant. "I hate to lose that. There's a story behind almost every one of the 1,100 items you see here. It's more than giving away a physical item. It's giving away a part of what

There were a lot more than personal stories being told Friday night as Mr. Connally, 70, and his wife, Nellie, began a four-day bank-ruptcy auction in which they will sell off everything from Spode and Royal Copenhagen china, to the pecan desk and leather chair

he used as governor, to a washer and dryer.

The fall of Mr. Connally, whose silver hair, steely gaze and self-confidence seemed to epitomize Texas, has hit the state as a public tragedy as much as a personal one. And the story of Texas' giddy boom and painful bust was being played out one more time, in perhaps its most resonant form, in a remarkable auction complete with Texas barbecue, white wine and black humor.

"It would break my heart to give this up, and I'm sure it's breaking theirs," said Betty

Stansell, a local resident who inspected the sale items Thursday. "I wonder what people in New York or Chicago are thinking. I wonder if they're laughing or if they're sad or if they care. I guess some people are enjoying seeing Texas get its due, but the truth is we have a lot to be proud of, and we're by no means dead. Like Mrs. Connally said, they'll come back and so will Texas. The auction, which nearly sold out its \$15

'It's more than giving away a physical item. It's giving away a part of what we are.'

John B. Connally Jr.

entry tickets Thursday, is an attempt to pay back some of the \$49 million Mr. Comally owes creditors. It is expected to bring in \$2 million to \$3 million.

Mr. Connaily filed for bankruptcy July 31 after the collapse of his real estate investment partnership with former Lieutenant Governor Ben Barnes. The partnership took out many of its loans on Mr. Connally's signature, leaving him personally liable.

Under the terms of the bankruptcy filing, in which he sought protection from creditors' lawsuits while reorganizing his affairs under Chapter 11 of the federal bankruptcy law, Mr. Connally retains \$30,000 worth of personal property and 200 acres (80 hectares) of the 3,400 acres of his homestead at the Picosa

on the issue.

of the Constitution overseas."

Committee, the leading American

pro-Israel lobby, said the organiza-

tion takes no position on the issue.

Ranch, south of San Antonio. With pensions from government posts, seats on several corporate boards and business connections throughout the state, Mr. Connally does not face anything approaching poverty.

But given a reputation for self-assurance that often has struck critics as arrogance, Mr. Connally's highly public promotion of the auction so as to maximize revenue for creditors has struck a particularly poignant note in Texas.

Skeptics say it was Mr. Connally's overarching ambition and poor judgment as well as the state's economic downtum that led to his ruin. And some say those he did business with stand to suffer more than he will.

But there were few if any doubters among the thousands who inspected his collection or the 2,000 people at the auction. To them, Mr. Connally remains something of a Texas icon. whose fall only confirms how badly the state has been hurt by the collapse in oil prices since 1985.

For Mr. Connally the auction marked a low point in a career as tumultuous as the state's.

He was wounded on Nov. 22, 1963, by the assassin who killed President John F. Kennedy in Dallas, was acquitted on bribery arges while serving as Treasury secretary and spent \$12 million on a run for the 1980 Republican presidential nomination that net-

ted him one delegate.

Mr. Connally said he planned to begin his autobiography in the coming year. Asked where his current problems fit into that saga, he did not miss a beat.

"Probably Chapter 11," he said.

#### Apparent Suicide U.S. Aid to Religious Schools Abroad Questioned In Audience Halts Production at Met

New York Times Service NEW YORK — An elderly man fell to his death from the top balcony of the Metropolitan Opera House in Lincoln Center during an intermission of Verdi's "Macbeth." The police said the death was apparently a suicide.

The man, tentatively identified starting to wonder again. What's as Bancho Banchewsky, 82, a Bul-wrong with me? Why am I the last garian-born singing coach who was a frequent patron of the opera, fell 80 feet (24 meters) into the rear of the orchestra Saturday afternoon. Witnesses said he struck a lower balcony rail, landed on moccupied

seats near the left center aisle and fell into the aisle with a broken seat atop him. A woman sitting nearby was grazed but unhurt. The man was pronounced dead at the scene, the police said. A witness said that during the first intermission in the four-hour

production the man sat on the balcomy railing, rocking back and forth, until two ushers pulled him ous four years, chimbed 11.2 per- and others concede that the effects away. During the second intermission, the witness said, the man again climbed onto the railing, and commodity prices and high pro- when a male usher approached him has been dropping steadily, falling duction costs, has changed irreversto 57.2 billion at the end of 1986, the state's rural landscape.

The plunged from the balcony.

Many in the full house of 3,500 had left the theater during the intermission. The remainder of the

on nationwide radio, was canceled.

The program, American Schools Management and Budget, the grant and Hospitals Abroad, has since was successfully maneuvered New York Times Service
WASHINGTON — The United 1971 quietly financed Jewish, Cath-through Congress by Senator Danolic and Protestant schools and iel K. Inouye, Democrat of Hawaii, States has funneled tens of millions hospitals in Africa, Latin America, as part of the \$604 billion appropriof dollars to religious-affiliated Asia and the Middle East. The ation bill signed into law last schools and hospitals around the most sensitive part of the program month by President Ronald Rea-bas involved grants to Orthodox gan. Although the appropriation Jewish institutions in Israel whose was not made as part of the schools world under a little-known pro-gram administered by the Agency for International Development. primary purpose is to teach reli- and hospitals program, it raised

> Many of these institutions would financing of religious institutions. be ineligible for government money if they were in the United States' Liberties Union announced it was because of the constitutional prin-ciple of separation of church and prevent the money from being state, according to Reagan admin-spent for the French schools. istration officials and legal experts. The Agency for International said John A. Powell, the organiza-Development, which administers tion's national legal director. "Its foreign aid overseas, says the pur-

> program is to educate and train sect of children and it does injury students, primarily in the develop- to different religious organizations ing world. The disclosure of the program's financing patterns in a recent arti- also intended to investigate whethcle in Washington Jewish Week, an er any U.S. funds should be spent American Jewish newspaper, fol- on religious-affiliated schools and of schools in France for North Af-

pose of the schools and hospitals

rican Sephardic Jews. Despite the objections of the State Department and the Office of

lowed a widely criticized \$8 million hospitals abroad that would not be federal grant for the construction eligible for government assistance

in this country

if they were in the United States, an issue whose constitutionality has

larger questions about government

On Friday, the American Civil

"It's clearly unconstitutional."

purpose is to establish a religious

institution to educate a particular

The Civil Liberties Union said it

never been tested.

School, a Hassidic girls' school.

petitive basis to schools and teach- tian Brothers in the Israeli-occusponsored by U.S. organizations, million.

that actively promote the separa- The recipients must "reflect Amerition of church and state in the can educational ideas and practice" United States would not comment and be open to all applicants, regardless of religion.

· The grants are not to be given Marc Stern, co-director of the legal department at the American "to train persons for religious pur-Jewish Congress, said: "Such fund-suits" or to construct facilities "for ing in the United States would be worship or religious instruction. unconstitutional, but we've never State Department officials and taken a position on the application AID administrators acknowledge

that some schools that apply for A congressional specialist with and receive grants do not appear to the American Israel Public Affairs qualify under these rules, but that intense congressional pressure has helped push them through. In addition to the religious train-

According to documents of the ing schools in Israel, dozens of oth-schools and hospitals program, it er schools and hospitals with varyhas given \$2 million since 1985 to ing degrees of religious affiliation such religious schools as Ohr So- have been financed in recent years. mayach, a girls' affiliate of a yeshi-Last year, for example, the prova in Jerusalem; \$400,000 to Shaal- gram gave three Roman Catholic colleges in the Philippines more than \$2 million, an Adventist hosvim Teacher's College, which trains teachers for Hebrew and day pital in Bangkok \$300,000, a Presschools and yeshivas, and \$500,000 to the American College of Belz, a byterian-affiliated hospital in Haiti Hassidic college in Jerusalem. It \$200,000, a Protestant-affiliated has given \$750,000 since 1983 to medical college and hospital in Inthe Beth Rivka Comprehensive dia \$700,000 and an Episcopal-

sponsored college in Liberia Under the program's regula- \$720,000. In 1984, Bethlehem Unitions, grants are awarded on a com- versity, a school run by the Chrising hospitals abroad that are pied West Bank, received \$1

# **AMERICAN**

mulative real estate debt among

farms and farm households in Iowa

**TOPICS** 'We Shall Overcome': How It Came to Be

"We Shall Overcome," the an-them of the civil rights move-ment, originated in the oral tradition of black spirituals. The authors of the words and music, f indeed there was a single author of either, are lost to history. It began with the words "I'll Be All Right" when it was sung in black churches at the turn of the

century.

The opening words, which form the title, had changed to "I-Will Overcome" by the time to-bacco workers in Charleston, South Carolina, sang it on the picket line during a 1946 strike. They changed it to "We Will Overcome."

A year later some of the for-A year later some of the for-

mer strikers took part in a work-shop at the Highlander Folk School in Monteagle, Tennessee, and sang the song there. The school's music director, Zilphia Horton, published it in song-books sent to labor organizers. books sent to labor organizers. By the mid-1950s it was a standard at progressive gatherings.

Pete Seeger, the folk singer, is credited with changing "will" to "shall" and adding a second verse. The song was copyrighted in 1953 by Miss Horton, Mr.

royalties go to a Highlander school fund for black songwriters and composers.

In 1957 Mr. Seeger sang it to
the civil rights leader, the Reverend Martin Luther King Jr., who remarked: "That song, it really

"As was so often the case,"

Short Takes

concern about cholesterol and changing tastes in food account

Isidor Isaac Rabi, the 1944 No-bel prizewinner in physics who died Jan. 11 in New York at 89, was fond of saying that "my mother made me a scientist with- | "Walter is a member of the



A HAIR RAZING EXPERIENCE — Joe Van Bartheld is not sure a punk haircut is his style as a trainee barber at the School for Cosmetology in Gadsden, Alabama, gives the youngster what looks like a pretty close shave on both sides of his head.

out ever intending it," according to a letter in The New York Times. Donald Sheff recounted that Mr. Rabi once explained it to a mutual friend, medical researcher and art collector, Arsearcher and art collector, Arthur Sackler, who died last year.
Mr. Rabi said: "Every other Jewish mother in Brooklyn would ask her child after school. So? Did you learn anything today?" But not my mother. She always asked me a different question. Izzy, she would say, 'did you ask a good question today?" That difference — asking good questions — made me become a scitions — made me become a sci-

Notes About People

After Dan Rather, the television anchorman for CBS News, walked off the set of a delayed newscast in October, leaving the network to go black for six minutes, his predecessor. Walter Cronkite, said, "I would have fired him." Recently Mr. Rather, asked in a Washington Post interview to comment on this, said:

shouldn't leave it there, as a mat-ter of fact. I don't want to leave it there. Walter's a great journalist, justified living legend, and naturally I'd like always to do things of which he approves. It turns out that no matter how hard I try to do things of which he ap-proves, it just isn't possible. I like him. I hope he likes me."

"Bird," the story of the saxo-

to memorize pages of dialogue." -ARTHUR HIGBEE



whatever he wants to say. And I'll leave that there. Maybe I

phonist Charlie Parker, is the second film Clint Eastwood has directed but not acted in, the other being "Breezy" in 1973. Mr. Eastwood told The Washington Post that the night before he began the 1971 film "Play Misty for Me," of which he was both star and director, he was lying in bed running each shot over in his mind, feeling uneasy that he had somehow forgotten something. What he had forgot-ten was that he was also sharing the lead with Jessica Walter. "I thought, 'Oh, my God' and switched on the light and started

# Several Jewish organizations AMERICA

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FEBRUARY 11

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BREAKING THE DEBT CIRCLE: WHY LATIN AMERICA NEEDS MORE THAN CURRENT DAMAGE LIMITATION MEASURES

Belisario Belancur, former President, Colombia Sir Jeremy Morse, Chairman, Lloyds Bank PLC, London. FROM DEBT TO NEW FOREIGN INVESTMENT Mauricio Garcia-Araujo, President, Central Bank of Venezuela.

DISCUSSION ON MORNING SESSIONS Luncheon

THEURUGUAY ROUND AND THE CHALLENGE FOR NORTH/SOUTH COMMERCIAL RELATIONS
Arthur Dunkel, Secretary General, GATT, Geneva.
Enrique Iglesias, Foreign Minister, Uruguay.
THE RESTORATION OF TRADE AND FINANCE FLOWS \*Giuliano Amato, Treasury Minister, Italy .
Nicolás Arcito-Barletta, former President, Panama .

Pedro-Pablo Kuczynski, President, First Boston DISCUSSION Cocktaits

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Herald Eribun

#### **FEBRUARY 12**

HOWTHE COMMERCIAL BANKS SEE NEW DEBT

INITIATIVES
William Phodes, Chairman, Restructuring Committee, Citibank, N.A., New York. Franz Luitoff, General Manager, Swiss Bank Corporation.
Richard Marin, Senior Vice-President, Bankers Trust Сотралу

OPENINGS TO FOREIGN INVESTMENT
MEXICO: Gustavo Petricioli, Finance Minister
ECUADOR: Rodrigo Espinosa, President of the

Monetary Board COSTA RICA: **Fernando Naranjo**, Finance Minister DISCUSSIONS ON MORNING SESSIONS Luncheon MULTINATIONAL COMPANIES' INVESTMENT

PERSPECTIVES IN LATIN AMERICA: Jean-Jacques Faust, Délégué Général au Brésil et en Argentine, Compagnie de Saint-Gobain, Rio de Janeiro.

Gentit Jeelot, Vice Chairman, Philips Industries, Endhoven.

CHANGING APPROACHES — BRAZIL'S PRIVATIZATION

Speaker to be announced.
PERU'S NEW FINANCING SCHEMES Guillermo Larco-Cox, Prime Minister, Peru. DISCUSSION Closing Remarks \*Invited/Subject to confirmation

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# Thuggery Cuts Two Ways

to believe that it can restore order in occu-pied Gaza and the West Bank by resorting to brazen brutality and betraying its own values. How can that open a path to serious

political talks with the Palestinians?

Defense Minister Yitzhak Rabin believes that he finally has the answer to six weeks of unrest. "The first priority is to use force, might, beatings." He means it. The Israeli army has been sent door to door to beat Palestinians into submission, even if that means breaking the bones of women, children and old men. That way, in Mr. Rabin's view, nobody gets killed

and everybody gets the message.

It should not for a moment be thought, however, that the Israeli authorities lack sensitivity. They are sending in teams of psychologists to allay the effects of the beatings. On the soldiers.

Do these actions truly reflect the consid-

ered judgment of the coalition cabinet or the Israeli public? If the answer is yes, then the state that once promised deliverance to the oppressed has truly lost its way.

Granted that the tormenting problem of the Palestinians is one for which the Arab world must share responsibility. Granted that Israel is understandably anxious to end the unrest. Granted that many Israelis yearn to exchange occupied territory for real peace. Israelis grasp better than anyone else the need for a political modus vivendi, once the unrest can be contained.

That seems to be Mr. Rabin's aim: First a policy, it risks losing far more than control. restore order, then search for partners in

Bank and Gaza a degree of autonomy pending a larger settlement. But this as-sumes that the means used to quell unrest are distinct from subsequent negotiations. Beatings breed rage and despair.

Israel was caught by surprise when demonstrations boiled up in Gaza and then spread even to the Temple Mount in East Jerusalem. Troops untrained in civil disorder were permitted to use live ammunition, a blunder. Faced with television and an uproar around the world, Mr. Rabin seized on his new policy of beatings.

The main target is the teen-age rioter who now can be detained for only 18 days. "But if troops break his hand," explains the military correspondent of the Jerusalem Post, "he won't be able to throw stones for a month and a half." Or, in Mr. Rabin's words: "I prefer a photo of a curfew over shooting, burning tires and petrol bombs." Thus does a truly humane country with a democratic government that is determined to deny parallels with South Africa invite parallels with South Africa.

Israel's effort to restore order in the occupied territories is surely tormenting. Washington, too, has a role to play in opening blocked channels, something to be explored when President Hosni Mubarak of Egypt sees President Reagan this week. But there can be no serious talk about policy until Israelis recognize something else. When a democratic government turns to thuggery as

— THE NEW YORK TIMES.

#### Vietnam Moves Slowly

Vietnam's Communist rulers, nearly 13 tance figure, continues pressing in what is years after extending their power from north not only a civil war in Cambodia but also an to south, are making their most concerted effort to find a more normal position in the world, but they are proceeding so slowly and hesitantly that the outcome is anything but ensured. The irony of it is the extent to which progress hinges on the United States, the country they defeated in the war.

Evidently Nguyen Van Linh, the new par-ty secretary, has been examining the disaster of his economy, noting the accomplishments of free-enterprise Asian neighbors and per-haps peering at China's bold economic ex-periment and listening to his impatient creditors in Moscow. Vietnam is starting to dabble in Gorbachev-type economic reforms and to troll for foreign investors. While thousands of prisoners are still in "re-education camps," blue jeans can be seen in Hanoi. But although its neighbors are trading more with Vietnam, they are restrained by its continu-ing occupation of Cambodia. Honda was

puppet in Phnom Penh, Hun Sen, has just and deserving group. This is the road on met twice with Prince Sihanouk, veteran leader of the weakest resistance faction. But the murderous Pol Pot, the principal resis-

intense proxy struggle between the People's Republic of China, supporting Pol Pot, and the Soviet Union, supporting Vietnam, The United States demands that Vietnam go home. Relief awaits Chinese-Soviet developments, barring a (surprise) decision by Viet-nam to leave Cambodia on its own.

The immediate and abiding U.S. concern is an accounting of the 1,700 Americans still listed as missing in action. President Reagan sent General John Vessey to Hanoi last August, and the general returned with an understanding that Vietnam would help resolve MIA cases and Washington would encourage private organizations to send humanitarian aid for Vietnamese who lost limbs in the war. Hanoi undercuts this modest arrangement by delaying on MIAs and repeatedly injecting a demand for direct U.S. aid, something that cannot even be considered while the MIA and Cambodia issues fester.

Vietnam, however, has just agreed to re-start the emigration of willing Amerasian ready to open a motorcycle project; American pressures, among others, killed it.

In a welcome political initiative, Hanoi's

Vietnam, however, has just agreed to restart the emigration of willing Amerasian children and their families, a much abused which it must go much farther for an accommodation with the outside world

--- THE WASHINGTON POST.

#### For a Multilateral Force

The elections in Haiti have only compli- elections. In doing so it put its own credibilcated the political tragedy there. Lieutenant of General Henri Namphy will now claim to have kept his pledge of providing for an elected successor by Feb. 7, the second annipolitical tragedy there. Lieutenant ity on the line. President Reagan repeatedly invokes America's stake in Latin democrative defected successor by Feb. 7, the second annipolitical tragedy there. Lieutenant ity on the line. President Reagan repeatedly invokes America's stake in Latin democrative defected successor by Feb. 7, the second annipolitical tragedy there. Lieutenant ity on the line. President Reagan repeatedly invokes America's stake in Latin democratical tragedy there. rsary of Jean-Claude Duvalier's departure. needs to be demonstrated vigorously here. Never mind that in doing so the general has trampled on Haiti's new constitution.

The United States correctly denounces the electoral farce, maintains its aid cutoff and gropes for effective policies. The fumbling reflects the Reagan administration's ambivalence about Latin dictators and democrats. The only way to bring direction and a sense of values to policy is for the administration to beed the pleas of Haiti's democratic politicians. All four front-runners from the aborted November election have repeatedly asked democratic nations to reject this month's vote and to press for a prompt legitimate election. All have endorsed an oil embargo, and some have called for a multinational force to protect a fresh vote.

The logic of present U.S. policy is to use limited economic pressure to get the Haitian business elite to break with General Namphy. Washington also would rather not add to the suffering of the poor, politicize the oil market or antagonize Latin Americans by military intervention. These are worthy considerations but in the Haitian case they must yield to more compelling concerns.

Washington engineered the flight of Jean-Claude Duvalier and backed the Namphy junta as the best way to ensure orderly

In Haiti, at least, it is clear that the democratic alternative exists, and enjoys wide support. The Haitian poor, who risked their lives to demonstrate first against Jean-Claude Duvalier and now against General Namphy, understand that freedom cannot be won without cost. Ordinary Haitians are still prepared to accept sacrifice. An administration willing to take eco-

nomic sanctions against Nicaragua cannot credibly rule out others against Haiti. Finally, Latin attitudes toward interven-

tion depend on its character. A multilateral peacekeeping force, under the auspices of the Organization of American States, could give democrats the protection they need against Duvalienst thugs. Aggressive regional diplomacy, Arias-style, has won broad Latin support. Yet the OAS remains paralyzed and the Caribbean regional organizations that were so active over Grenada have preferred to run away from the problem in Haiti. A serious diplomatic initiative by Washington could

conceivably change their minds.

The Reagan administration, having once put itself forward as the virtual guarantor of Haiti's democratic transition, cannot now, in decency, merely wring its hands.

-THE NEW YORK TIMES.

#### Other Comment

#### For Elections in Hong Kong

Hong Kong is one of the last real inter-national issues for which Britain bears direct responsibility. Whatever we do there affects the lives of nearly six million people, three million of them British subjects even though their passports forbid them to live in Britain. These are decisions we must get right, the more so now that the handover to Beijing in 1997 is getting closer and the desire to bow to Chinese interests grows consequently stronger. The crucial question in Hong Kong now is direct elections to the 56-member Legislative Council: how many members should be elected and when, and should we risk China's disapproval to push

them ahead? Whether such elections should take place is no longer an issue. But when? The right time is now. The sooner Hong Kong people see that elected leaders are in place and speaking to them, the better will be the chances of what both London and Beijing say they wish to sustain: prosperity and stability. Those who know the territory well fear that 1991, the date of the next possible election, will be too late. Beijing has everything to gain from gracefully accepting such elections. Assenting to direct elections now would demonstrate that the Chinese are not plotting to dominate politics in the territory before 1997, and instantly secure inter-

national acciaim for Beijing's forbearance. - The Observer (London).

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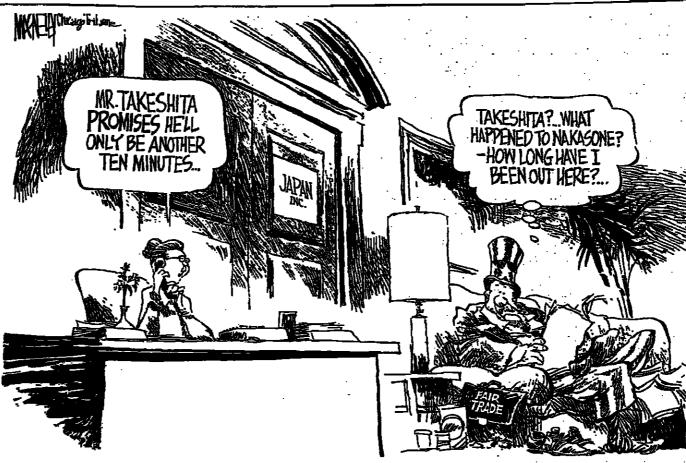
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#### **OPINION**



# America's Involvement With Japan Can Grow

WASHINGTON —To America's other allies, its strong ties with Canada and Japan are sometimes a source of surprise. With Canada, the bond seems more rational; Canadians and Americans share a border, a long international history and one of Canada's two languages. But it can seem strange to the rest of the world that the United States and Japan — former enemies, separated by a vast ocean, with clashing cultural interests a deficient language having and services. stincts, a difficult language barrier and serious economic tensions — have forged such close ties.

After Prime Minister Noboru Takeshita's recent visit to Washington, it is fair to speculate that the U.S.-Japanese economic alliance can go even deeper. Canada may be next door, but in the past 10 years the U.S. and Japanese economies have grown increasingly interdependent, not only on the trade side but in investments. "Look at the United States and Japan as an

integral, coupled economy, and the imbalances you see disappear," said Percy Mistry, a former World Bank adviser who teaches at Oxford University. It would be hard to imagine America without Japanese cars and other consumer goods, and without the flow of investment money that helps finance the U.S. budget deficit. It would be equally tough for Japan to replace its U.S. market and the acquisition of new technological ideas.

But the U.S.-Iapanese relationship goes be-

yond economic and financial affairs to include military security. As the U.S. ambassador to Japan, Mike Mansfield, likes to say, it is the most

restrict individual small missiles.

ing of missile production facilities.

placed on Soviet soil is still being de-

cided. But research on on-site inspec-

tion systems — involving tamper-re-sistant fiber optic seals, video alert and

data encryption systems, infrared sur-

veillance arrays and more - is already

under way, much of it at Sandia National Laboratories in Albuquerque, New Mexico, which AT&T runs for

Problems abound when working in

an adversary's territory. For one thing,

the verification system must ensure

that each side can trust the authentic-

ity of the on-site data. That produces a paradox: The Soviets must be assured that information gathered is for verifi-

cation only — not espionage — and agrees with the facts. Thus, data can-

not be encrypted. But the United States must be confident that streams

of data, traveling through open chan-nels in Soviet territory, are not forger-

ies. Thus, encryption must be used.

Cracking that puzzle falls to San-dia's Gustavus J. Simmons, a math-

ematician with a footlong beard and a

flattop coif who has been solving such brainleasers for 20 years. He and his

colleagues are perfecting a data system

that guarantees integrity.

The technique that Washington will propose to the Soviets is the least so-

phisticated of Mr. Simmons's ideas,

but it has already passed the scrutiny of codebreakers at the National Secu-

rity Agency and was discussed with the Soviets in the 70s. It has proved

reliable at U.S. seismic stations in

Norway that glean data from Soviet underground nuclear tests.

The system works by attaching an authentication "word" to the output

of a monitoring device such as a cam-

era. The output, in the form of a long

binary sequence (strings of 0s and 1s), is fed into a computer, which breaks the data up into small blocks of, say, 64 bits. The first block is encrypted

with a secret key which produces a 64-bit cipher held in the computer's mem-

ory. As the second block arrives, each element in the cipher is matched with

its corresponding element in the sec-ond data block. If the two elements are

alike, a 0 is recorded; if different, a 1.

This produces a new 64-bit number,

which replaces the first cipher and is in turn encrypted with the key.
This new cipher is matched against

the Department of Energy.

By Hobart Rowen

important bilateral relationship in the world. That is why it is important to defuse irrational responses in America over the huge Japanese trade surplus, as well as bitterness in Japan over America's seeming inability to put its economic house in order. The mutual bashing serves no purpose. The U.S. trade deficit with Japan has to be put

into context: It is only part of America's global economic problem. Much of the deficit is the result not of unfair trade practices but of failed macroeconomic policies. Reaganomics produced an overvalued dollar that helped price U.S. manufacturers out of foreign markets.

Inattention to quality and a certain diffidence about fighting to get into overseas markets were costly to American companies. Now, they have to fight to regain lost market shares.

Japan has resisted the importation of manu-

factured goods from the rest of the world. Its single-minded drive to increase its economy and power through exports ignored the needs of its citizens for housing, recreational facilities and other amenities. But Mr. Takeshita's visit may be the beginning of a basic change. As a senior Reagan administration official observed, "What we are trying to do here ... is to have Japan become more of an import-oriented society." Tokyo can boast of some early success. In response to pressure from America and others,

growth rate of 3.7 percent, faster than those of most of Japan's major trade partners. A similar pattern is projected for this year, meaning that a new generation of Japanese is beginning to break away from its habits of huge savings and minimal consumption. Once again, Japan has shown an ability to defy conventional wisdom, surviving

the high yen to become an economic superpower.

Privately, senior administration officials acknowledge that just as Japan is shifting somewhat from being export-oriented to being more import-oriented, America must cool its passion for imports and become export-oriented so as to reduce its huge current account deficit.

Although the Japanese business community will resist a "hollowing-out" of industry there, the advantages of overseas investments (for as long as the dollar remains low) will be self-evident. The Economist quotes Kazuo Nukazawa of Keidanren, the business federation, as saying that Japanese investors want to feel "the wind of the future" blowing on their faces from America's universities and other high-tech sources of learning.

What can be foreseen is a blending of American technological ingenuity with sophisticated Japa-nese manufacturing processes that have proved successful. Such a reinvigorated industrial base could help restore America's export potential.

The Washington Post.

#### Verification: An Ambitious Challenge to Engineers WASHINGTON — As the U.S. Senate begins hearings on the INF treaty, a crucial issue will be how The United States and the Soviet

By John A. Adam This is the first of two articles.

to detect potential Soviet violations. and so forth. The end result, after Reylgavik at which the Soviet Union The subject is critical because both processing an entire data stream thou-INF and the strategic arms reductions sands of bits long, is a final 64-bit site INF monitoring, Roger L. Hagennow being negotiated in Geneva will require unprecedented verification technologies. Unlike previous arms accords, which involved watching large cation word, is appended to the unenterest facility built to examine stream. This final cipher, or authentication the Pentagon. It wanted a full-scale cation word, is appended to the unenterest facility built to examine stream of a facility built to be stream of a facility built to examine a facility b structures such as silos and bombers, crypted monitor output and sent. the INF and START treaties would Nothing in the process prevents the

Soviets from scrutinizing the data while it is sent. And the United States Consequently, standard monitoring systems — surveillance satellites and can verify the result by running the received data through the same encrypting procedure using a copy of the secret key. If the final cipher generated matches the one appended to the original electronic intelligence - will not be sufficient. Extensive cooperative measures will be needed. Trucks and railroad cars must be inspected; plant gates, grounds and fences watched; nal monitor output, then the data are small weapons examined for nuclear genuine. Just as increasing the number of grooves in a housekey makes it harder to pick the lock, the more varicontent. And the INF pact requires new systems for continuous monitorables there are in a cipher key, the less Exactly what kind of sensors will be the likelihood of cracking the code.

Shortly before the 1986 summit in marketing tool" which helped policy makers visualize potential problems.

for continuous monitoring of a Soviet weapons production plant. It also wanted a working model of the site.

The project was given top priority. Within two months the Sandia team produced a tabletop model showing the section of a typical Soviet missile factory which includes the main portal. The Pentagon displayed the model to officials from the White House, State Department and Congress, dem-onstrating how a missile-carrying truck triggers a suite of sensors to record weight and other data. One U.S. official called it a "good

Union have agreed that INF monitoring systems for the exits will include weight sensors, vehicle sensors, surveillance systems and vehicle dimensional measuring equipment." Also, "non-damaging image-producing" gear will be installed to examine contents of shipping containers and launch canisters. The goal is to devise a system that automatically collects and records data 24 hours a day.

The monitoring system must be ac-

IEEE Spectrum, the monthly magazine of the Institute of Electrical and Electronics Engineers. He contributed this comment to The Washington Post.

# Get to Work on Verifying Verification

By Evgeny Chossudovsky

cern that the follow-up proceeds without major hitches. For we are What can be done to help ensure the

mutual distrust. The INF treaty now resident inspectors at key sites.

Although born of suspicion, inspection can be an instrument for reducing mistrust and ultimately helping to build confidence through proven compliance and predictable behavior. The Geneva summit of November 1985 was a turning point, for it was

motivated by agreement on, as a joint statement put it, "the need to improve U.S.-Soviet relations and the international situation as a whole." There was a basic recognition that "a nuclear war cannot be won and must never be fought." At the same time it was clear that any arms control or reduction treaty between the two countries had to contain "effective measures for verilication of obligations assumed."

Senior foreign policy officials were put in charge of the Geneva negotia-tions. Despite a lot of hard, thoughtful work, the text of only one treaty, in-chiding a protocol embodying the ver-ification regime, could be finalized for signature at the Washington summit. Such a regime, the first of its kind, could not have been elaborated without military specialists. Praise is due to the contribution of Paul Nitze and Sergei Akhromeyev, military men

political considerations.

It is a pity that provision was not made for provisional application of the INF treaty pending ratification. This new cipher is matched against the contents of the third block of data, which begets yet another new cipher.

The INI treaty pending ramication. For there is an urgent need to verify the contents of the third block of data, which begets yet another new cipher.

The INI treaty pending ramication is an urgent need to verify exchanges of views between specialists on problems of conversion from military to civilian production; joint dis
This new cipher is matched against the contents of the third block of data, which begets yet another new cipher.

GENEVA — After a constructive only as a guarantee of compliance but summit, there should be con- also as a framework for a common What can be done to help ensure the

nuclear and other types of weapons.

Since 1917 the predominant feature of U.S.-Soviet relations has been mutual distrust. The INF traces. mon sense, an appreciation of the unique nature of their tasks and the provides for an unprecedented and ability to tackle them in the right spircomprehensive regime of verifica-tion, quite unthinkable only a few years ago, that includes a system of but verify — an expression I much gan quote the Russian saying "Trust but verify" — an expression I much prefer to "Check on cheating.")

 Flexible provisions should be devised to settle any misunderstandings between inspectors and local officials quickly and quietly. Colonel E.D. Doyle, the Irish chief observer of the UN Observers Mission in the Smai desert in which U.S. and Soviet officers participated for some years, recalled in The Irish Times recently that "the human problems needed as much attention as the technical ones."

 Attitudes change slowly, but the national officials should understand that any awkwardness that might be construed as an attempt at concealment could undermine the safety of both countries. A former U.S. ambas-sador in Moscow, Thomas J. Watson Jr., put his case to "join Gorbachev against the common enemy" well when he wrote (IHT, Aug. 1): "Now the two countries face the real possi-bility of mutual annihilation. The enemy is 50,000 nuclear weapons —
25,000 on each side." A smooth start
with the INF treaty would angur well
for the success of broader reductions. Furthermore, the verification pro-cess of the INF treaty could be strengthened by joint efforts to reduce

mistrust and wind down militarization with thorough understanding of vital by such means as: a mechanism for monitoring the reduction of military budgets by sharing comparable and reliable information; continuation of

curate enough to detect potential violations but work fast enough so that traffic flow is not unduly impeded. And because deployment within Soviet borders precludes use of trade-secret equipment, engineers must create highly reliable systems composed mainly of commercially available gear.

The writer is associate editor of

cussion of evolving military doctrines.

Dismantling of nuclear arms in good faith, systematic cooperation on bilateral and global projects (including better use of United Nations machinery), frequent consultations and visits, people-to-people contacts, more information flow and less unnecessary secrecy in many sectors could in time transform the U.S.-Soviet relation-ship, despite its underlying systemic antagonisms and divergent ideologies. The Washington summit contribut-

ed to good feelings, but they are not enough. The need is for our statesmen to build the U.S. Soviet relationship on realistic and reliable foundations.

The writer, a Soviet citizen living in the West, is a former senior official of the United Nations. He contributed this comment, which reflects only his own views, to the International Herald Tribune.

#### 100, 75 AND 50 YEARS AGO

PARIS — [The Herald says:] Every device known to the financial world is being worked to inflate the Panama Canal ballon, lottery bonds included Canal ballon, lottery bonds included. It will, however, require a good deal more gas than is even at the disposal of the promoters to lift the ponderous machine out of the swamps of Central America. Probably the bulk of Panama shareholders, when they besieged the temporary offices which preceded the present palatial building occupied by the [French Panama Canal Company] in order to purpase

Canal Company] in order to purchase original stock, had a very vague idea of the whereabouts of Panama. "Will the present company complete it at all?" is the burning question.

1913: Coup in Turkey

CONSTANTINOPLE - The "coup d'Etat" in the Ottoman capital (on Details are now obtainable of the scenes which led up to the death of Nazim Pasha, the War Minister. The general's aide-de-camp, in attempting to stop the Young Turk demonstrators from entering the Council Chamber, drew a revolver and fixed, provoking a general melée. The inprovoking a general melée. The investiture of Mahmud Shefket Pasha as Grand Vizier and War Minister by the Sheikh-ul-Islam took place this afternoon [Jan. 24].

1938: A Beardless Era
PARIS — It is true that Frenchinen
are losing their love for beards, and
everybody, of course, including barbers, has his own theory about a
Some people think the beardless
movement began with the influx of
clean-shaved American soldiers to
France in 1917. Others think for
some reason, that the growth of
sports had something to do with it
Probably the largest group, however,
has concluded that beards are just
too bothersome to care for.

and the superpowers imming away from the Israeli-Palestinian issue, the sense of hopelessness about negotiations. But there is also an accumulated birterness at injustice and humiliation A public-interest law office here in Ramallah, Al-Haq, helps people who get in trouble with the occupation forces. Ms. Rishmaw and other lawget in trouble with the occupation forces. Ms. Rishmawi and other lawyers deal with Israeli officials in legal terms, eschewing politics. But it is a frustrating kind of law.

An Al-Haq field worker, Ghazy Shashtari, reported that two men in the Faraa detention center complained of being tortured with electric shocks. Al-Haq asked the men's lawyer to see them and check. He came back with affidavits swearing that they had been subjected to shocks.

Al-Haq made a quiet approach to Japan achieved a 5 percent growth rate in domes-ne demand last year, while activity attributed to exports was down 1.3 percent. That yielded a net

Al-Haq made a quiet approach to an Israeli official, trying to handle the complaint without publicity. The official replied with a threat. Al-Haq then held a press conference and gave the prisoners' affidavits to reporters. As: the conference began, occupation au-thorities ordered Mr. Shashtari do-tained without trial for six months.

Israel Slides

On a Slope

To Tyranny

By Anthony Lewis

R AMALLAH, Occupied West lawyer, Mona Rishmawi, went to the Ramallah prison to interview a client While there she saw a handcuffed detainee being held with a heavy head over his head that made it difficult for the beauty.

over his head that made it direction for him to breathe. The comperative was 100 degrees Fahrenheit (38 C). Ms. Rishmawi wrote so an Israeli police official to make a legal com-plaint about the mistreament of the

detainee. The response she got was to be charged with an offense herself

being in the wrong place in the prison.

People wonder why the Palestinians in the territories have risen up now.

after 20 years of occupation. There are

external reasons: the Arab countries

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"We meet cynicism or appression says Raja Shehadeh, a prominent Palestinian lauver "To" a prominent lauver "To" a says Raja Shehadeh, a prominent Falsesinian lawyer. "It's getting worse and worse." He and others say that injustices have increased sharply since Brigadier General Ephraim Such resigned as civil administrator of the West Bank last September, reportedly because he felt powerless to change the company of t harsh features of the occupation

Abuses of what Americans consider place. People are deported without being allowed to see the evidence against an. The late Justice Louis Brandels of the U.S. Supreme Court said that deportation could cost a man "all that makes life worth living." And the hundreds who have been deported from here were not aliens; they were ex-pelled from the land of their birth.

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Time of the Control o

Censorship is another common-place. CBS News did a "Face the Nation" program this month on the protests here. When an Arabic newspaper, Al Fair, tried to print the CBS transcript, the censors struck out a comment by Irving Shapiro, former chairman of Du Pont Company, that

the deportations were "abhorrent"

Due process of law and freedom of

Due process of law and freedom of the press are middle-class concerns. But then the people of the West Bank are an overwhelmingly bourgeois people. The leading figures are shopkeepers and lawyers and teachers. Over the last 20 years they have mostly been quiet about the occupation. A better adjective might be "cowed."

But that period is over. The young men in Gaza, influenced by Islamic fundamentalists, started an uprising whose spirit spread to the West Bank. Feelings have been further inflamed by the Israeli policy of responding to protests by beating people — often people who have done nothing, as Israeli military officers concede.

The government of Israel is highly sensitive to comparisons to South Africa. Officials bring it up to deny that occupation practices have anything in common with white South African rule. Indeed, there are great differences. What happens here is not apartheid. Palestinians are trying to get out of Israeli society not jute to

heid. Palestinians are trying to get out

of Israeli society, not into it. But there are chilling similarities. Here, as there, a people suffers humili-ation without recourse, without voice

Here, as there, a people suffers humiliation without recourse, without voice or vote. Men and women are at the mercy of 18-year-olds with guns. Law is manipulated to serve the rulers, unfil justice is eaten away. The press is censored, and the press is blamed.

The process corrupts the rulers. The army has actually sent psychologists to its troops in Gaza to help them cope mentally with orders to hear people.

But the problem lies deeper, in the very fact of occupation. The longer it goes on, the more true will be a comment made to an Israeli friend by Professor Fouad Ajami of Johns Hopkins University: The ultimate revenge of the Palestinians will be to ment made to an Israeli friend by Professor Fouad Ajami of Johns Hop-kins University: "The ultimate re-venge of the Palestinians will be to turn you into South Africa."

The New York Times.

1888: A Panama Canal?

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# n a Slope Tyranny

y Anthony Lewis y Anthony Lewis and ALLAH, Occupied with ank — Last July a Palesian and prison to interview a deal them she saw a handould deal being held with a heard that made it distribute the shead that made it distribute the stream of the same and the same and the same and the mistreaution of an load about the mistreaution of a load about the mistreaution of a load and the response she part and a response she wonder why the Palesian and the wonder why the Palesian and territories have risen up in all reasons: the Ann Distribute of years of occupation Thermal and reasons: the Ann Distribute and reasons: the Ann Distribute he larged powers that he superpowers that a superpowers that he superpowers that he can be larged injustice and complete the same and the larged powers are saw of the larged lab. Al-Haq, helps popylete trouble with the others.

under interest law office here it had, Al-Haq, helps people it touble with the company of the Rishmawi and other is east with Israeli officials in the eschewing politics. But it is a sing kind of law.

Al-Haq field west Al-Haq field worker, Gine tart, reported that two many

araa detention center as a dof being tortured with done as Al-Haq asked the months. see them and check the with affidavits swearing that he can subjected to shorts Haq made a quier approxi-aeli official, trying to hande laint without publicity. The deplied with a threat. Al-Hapter a press conference and gree ners' affidavits to reporter: onference began occupance i without trial for six manda e meet cynicism or agrees Raja Shehadeh, a promonat. an lawyer. "It's getting worse He and others say that ag. have increased sharply a dier General Ephrain Sedi:

d as civil administrator d i Bank last September, report ise he felt powerless to day e features of the occupation wases of what Americanson is amental legal rights are come: . People are deponed without llowed to see the evidence are The late Justice Louis Brank ie U.S. Supreme Court said & reaction could cost a man "Me. as life worth living." And their! s who have been deponed be were not alters; they were d from the land of their bink resorship is mother com : CBS News did a Face of oa" program this month on t ests here. When an Arabic no. r. Al Fair, tried to print the C script, the censors smot on ment by Irving Shapira, in rman of Du Pont Company t

ieportations were "abborrat" ue process of law and freder buss are amqqqs-cass and then the people of the West The leading figures are shop and lawyers and teachers Out 20 years they have mostile t about the occupation AMA wave might be "cowed" ut that period is our. The perin Gaza influenced by be damentalists, started in an se spirit spread to the Walt lings have been further and the Israeli policy of response ple who have done noting I miliary officers conock he government of land st aute to comparisons to Smile Officials bring a up to the upation practices has apply amon with white Such his indeed, there are graded.

What happens here such a Debermants are missingly.

d. Pulestimans are right up to street society, not into the same there are children without recease with a wind without recease. rote Men and some at autipulated to serve the mark nampalated to serve the mini-nampalated to serve the mini-ture is eaten away. The pro-secred, and the press is home. The process corrupts the mini-ny has actually sent printing its troops in Gaza to hop min-mally auth orders to home. But the problem lies depth, it but the problem lies depth, it on, the more one will have not made to in least him not of the more one will have the server found a junt of hims. I inversity. The mining

YEARS AGO etals are fow obtained and which led up to its are more than the War himse are pushed by young the restore it working a general material working a general working a general material working a general material working a general w 938: A Beardles by 938: A Beardier

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ael Slide

Washington Past Service
WASHINGTON — President
Roacid Reagan is leaning toward a
scaled down contra aid package that would put all lethal aid for the Nicaraguan rebels in an escrow account pending the outcome of regional peace negotiations, an ad-ministration official said Sunday. The official said that placing the aid in escrow would improve the chances of winning congressional approval of the aid request, espe-cially in the House, and demonstrate that Mr. Reagan was willing to take "an extra step for peace." Asked about an escrow plan on an ABC interview program, the House speaker, Jim Wright, Demo-crat of Texas, said, "If the presi-dent requests it, I'll consider it." Mr. Wright, who could hold the key to passage of any additional aid request for the contrast, as the Nica-

Escrow Plan for Contra Aid Proposed

Brooklyn Rivera, left, a leader of the Miskito Indian separatist movement, being greeted by Interior Minister Tomás Borge Martínez after arriving in Managua for peace talks with the Sandinists.

Mr. Ortega said he was committed ing day.

to "democratization" and that Nicaragua now allowed "the full and White House show that any proposal containing lethal aid is likely in the House. White House officials believe the administration might be able to secure passage of a and his premises.

An official said the U.S. governlimited package of nonlethal aid, especially if such a proposal has regional support.

Officials said the aid package under discussion would include about \$40 million of nonlethal aid and \$5 million of lethal aid that would be put in escrow. In his letter to Mr. Reagan, Mr.

Ortega said that if the United States and Nicaragua signed "veri-fiable bilateral accords," Nicarasna could "advance more quickly" to agreements with its neighbors limiting the size of the Sandinist army and dispensing with all foreign military advisers. U.S. officials said they saw nothing new in this

Internal Dissent Stephen Kinzer of The New York Times reported earlier from Mana-

Only a week after winning an important diplomatic victory at the meeting of Central American lead-

approves the measure, it will be ers, Mr. Ortega is facing an unex-voted on by the Senate the follow-pected challenge from within his detaining opposition leaders to

auestion -

them about a meeting

they held with contra leaders. The

mand, and officials said he had

ers to doubt Nicaragua's commit-

thought likely to have a similar ef-

fect. It was carried out by members

past has supported Mr. Ortega.

In an interview with U.S. news-

paper editors Friday, Mr. Ortega

Mr. Borge and other senior Sandin-

ists. "We don't think exactly alike,"

Sandinist officials say Mr. Borge

implications of easing restrictions

ment to political pluralism.

Sandinist demonstrators who broke up an opposition meeting police are under Mr. Borge's com-Friday were organized without Mr. Ortega's knowledge, an aide to the president said.

In a campaign to defeat U.S. aid for the anti-Sandinist rebels, Mr.

was upset by the episode. They said was upset by the episode. They said

Ortega has sought to portray his it had led some members of Congovernment as moving toward full gress and other influential foreigndemocracy.
His associates say the internal

confrontation has begun to under-mine efforts aimed at preventing of relatives of prisoners, was continued U.S. financing for the Interior Minister Tomás Borge of Sandinist "mass organizations" Martinez and his supporters are that respond to Bayardo Arce Cas-taño, a Sandinist leader who in the

taking actions that convey an im-

pression different from the politi-

cal effort by Mr. Ortega. After the recent regional meeting, Mr. Ortega surprised many diplomats and politicians by announcing major political concessions. He lifted the state of emerhe said. gency under which civil and political rights had been restricted for six years and he abolished the people's tribunals that have conon the opposition. victed hundreds of suspected con-

guards. But as he announced the conces-

tras without normal judicial safe-

Agree to Coordinate **Gulf Effort** 

U.S. Allies

By George C. Wilson Washington Post Service
WASHINGTON — Britain, France and Italy have agreed to have their navies work together to sweep mines out of the Gulf, de-

fense officials have disclosed. The pact calls for the three navies to take turns sweeping mines in such a coordinated pattern that at least five minesweepers will always be on duty, officials said.

Reagan administration officials said they were encouraged by this multinational approach to keeping the waters of the Gulf open to shipping. They added that the administration hoped this would blunt congressional criticism that the United States was bearing an inordinate burden by spending at least \$1 mil-lion a day to protect the Gulf.

Also, sources said, the more ac-

tive role by the allies comes at a time when the Reagan administration is looking for ways to reduce U.S. military presence in the Gulf region. Britain and Italy are full partners of the North Atlantic Treaty Alliance while France left the military command more than 20 years ago but has remained a member of the alliance

ordered detentions without con-There soon will be a highly visible decrease in U.S. firepower in the Gulf area when the battleship Iowa heads for home, navy sources

> The British, French and Italian minesweepers will shore up what has turned out to be one of the U.S. Navy's biggest shortcomings in its Gulf operations.

> The Kuwaiti tanker Bridgeton, sailing under the U.S. flag, struck a mine in the Gulf on July 24 during the navy's first escort operation. There was an embarrassing scramble after the attack to find minesweepers to combat this element of the Iranian military threat. Italy's decision to participate in

was asked about his relations with the minesweeping effort is likely to draw political criticism at home. officials said. The Italian Communist Party has been protesting the and his allies are worried about the deployment of any part of the Italian Navy to the Gulf.

In the past week, British, French "Tomás is sending a message, and Italian naval commanders in the area have declared that Gulf and the message is that you cannot be soft," an official said. waters are, for the moment, virtual ly clear of mines after four months of intensive minesweeping opera-The decision of the three nations

to cooperate was taken by Western officials as a signal that the European navies were preparing to withdraw some of their forces and concondemned by the Reagan admin-road or rail line out of Maputo has ment troops to move and were told solidate others in a joint venture,

largely to save on costs.
The last reported mine attack in the Gulf was on Sept. 22.

#### Breaking Bones to Halt a Protest A Palestinian, His Hands Broken, Describes Beating

By John Kifner New York Times Service

NABLUS, Israeli-Occupied West Bank - Both hands encased in plaster casts, Imad Omar Abu Rub explained from his bed in the Rafidiya Hospital what happened when the Israeli Army came to

the Palestinian village of Qabatiya.
"They entered the house like animals, shouting," said Mr. Abu Rub, 22, a student at Bir Zeit University. They took us from the house, kicking us in the head, beating us, all the soldiers with their rifle butts."

Then he was taken to the construction site of an' unfinished house, where, he said, the soldiers put an empty bucket over his head.

Several of the soldiers held him down, he said. gripping his arms to force his hands against a rock. Two others, he said, beat his hands with lengths of wood framing, breaking the bones.

The injuries are the product of a new, officially declared policy of the Israeli Army and the police to beat Palestinians in hopes of ending the wave of protests in the occupied West Bank and Gaza Strip that began in early December. Israeli troops have shot and killed at least 38 Palestinians during the

In the bed next to Mr. Abu Rub's, Hassan Arif Kemal, 17, a high school student from Qabatiya, told a nearly identical story.

He said that he, too, had been pulled from his house by Israeh troops and taken to a construction site, and that his hands had been broken by sol-diers wielding lengths of wood framing. His mother said that she had been beaten and bruised as she tried to stop the soldiers from taking her son.

Six people from Qabatiya were admitted Wednesday to Rafidiya Hospital with broken bones in their hands, hospital officials said. On Thursday, nine were admitted with bone fractures. mostly in the hands but some in the legs, after a similar army raid on the Palestinian village of

"The first priority is to use force, might, beat-

ings," Defense Minister Yitzhak Rabin has said of

On Friday, witnesses in Jerusalem watched a young Palestinian being walked into the police station across from the Wailing Wall by a group of policemen. He was one of four who, according to the police, had been singled out for "incitement and stone-throwing" after a brief demonstration near the Dome of the Rock mosque.

After about a half hour, during which screams were heard, the witnesses said, the man was brought out on a stretcher and put into an ambulance that had pulled close to the police station

'His face was swollen and he was seemingly unconscious," a witness said. "He did not move,"
The Hebrew-language newspaper Ha'aretz reported Friday that in the Gaza Strip, a check of spital and clinic records showed that 197 people

had been treated for fractures because of beatings in three days. Israeli newspapers have begun extensive coverage of the policy, including interviews with mili-tary commanders, who stress the effectiveness of the beatings but express worries about the moral

effects on their troops, and with Palestinians who have been beaten. The Jerusalem Post quoted a ranking military official Friday as saying that the policy was aimed at "striking fear of the army" into the hearts of

increasingly defiant Palestinian protesters. The commander, however, conceded that there had been instances of what he described as "irregu-

Ha aretz, citing a military background briefing, said that there had been a moderate decline in the level of unrest because of the beatings.

A military official was quoted as saying that the command had decided on the policy "so that people would be scared of the army, and so that one day we could get most of the units out of the territory, when people will remember and know for

tober 1973.

#### Internal Dissent Leads PLO to Delay Decision on a Government in Exile

By Alan Cowell New York Times Sernce

BAGHDAD - Faced with internal dissent, the Palestine Liberation Organization has put off an immediate decision on whether to set up a government in exile, according to Western and Arab dip-

Yasser Arafat, the chairman of the PLO, has expressed support for the idea.

His aides say the plan to establish such a government is part of an initiative to build on the Palestinian protests in the Israeli-occupied territories and to press for the convening of an international peace conference sponsored by the United Nations.

In a series of interviews and press statements recently, Mr. Arafat has said he would be ready to recognize Israel within its pre-1967 borders, provided that the Israelis acknowledge a Palestinian right to pledged to Israel that it would not for things they could not control."

an independent state in the West deal with the PLO until it openly Bank and Gaza Strip. A Palestinian government in ex-

ile, Mr. Arafat is said to believe, would strengthen the PLO's claim of November 1967 and 338 of Octo represent the five million Palestinians in the region and would counter U.S. opposition to dealing with the PLO. Israeli officials have said repeat-

edly that they would never agree to long discussions on the idea of a an independent Palestinian state on Israel's borders. In the 1978 Camp David accords

with Egypt and the United States, Israel agreed to negotiate the granting of temporary local autonomy to Palestinians in the West Bank and Gaza Strip, pending final disposition of the areas. However, the PLO has never

agreed to such autonomy, and the negotiations that were conducted in 1979 and 1980 produced no

dad said. In interviews in Baghdad, Mr. Arafat has acknowledged dissent within the PLO over the issue.

"For the time being, the idea has been shelved," an official in Bagh-

and unequivocally accepted Israel's

right to exist and agreed to UN

Security Council Resolutions 242

Earlier this month, Mr. Arafat

and senior Palestinian officials met

in Baghdad, where the PLO has its

military headquarters, and held

government in exile. They failed to

Western and Arab diplomats.

reach agreement, according to

"Some of the PLO leadership believed that a government in exile could load them down," said a Western diplomat who asked not to be further identified. "It would Since 1975, the United States has mean their accepting responsibility

# Guerrilla War Debilitates Mozambique

By William Claiborne

raguan rebels are called, also said

he would be guided by the recom-mendations of other Central Amer-

ican countries as to whether the

contras should receive further non-

Meanwhile, in a personal letter

to Mr. Reagan, President Daniel Ortega Saavedra called for "the im-

mediate cessation of all support for the contras" and renewed his call for direct U.S. Nicaraguan talks.

Reagan administration officials

rejected both Mr. Ortega's appeal

ment continued to believe that any meetings with Sandinist officials

should occur "in the regional con-

text," meaning with the Central

American countries that joined in

August with the leftist government of Nicaragua in creating a regional

peace plan.
The Reagan administration's

move toward an escrow strategy is

designed to appeal to a moderate

bloc of 19 House Democrats who

have urged the president to delay his aid request and, if he does not

postpone it, limit it to nonlethal

Sunday that they had little choice on the timing of the aid request, which must be submitted by

Wednesday and voted on in the House on Feb. 3 under terms of a

compromise included in a biparti-

san budget package approved by Congress last month. If the House

Administration officials said

Washington Past Service NAMACATA, Mozambique farmers from emergency food sup-plies and have brought Mozambique to the brink of widespread famine, rivaling that of Ethiopia, according to representatives of for-eign relief agencies here.

Namacata, a refugee village six miles (10 kilometers) east of the Zambezia provincial capital of Quelimane, was destroyed Ian. 12 by the guerrillas. Hundreds of such attacks in central and northern close to almost total economic col-ianse, government officials and Western diplomats warned.

The attacks, and the looting and

burning of fields at harvest time, have prevented as many as two million more farmers from produclion people, independent relief offi-cials said.

Moreover, the growing number of attacks on trucks carrying emer-gency food to rural areas is forcing relief agencies to turn to costly air-lifts, putting a further strain on assistance budgets.

The war being waged by the re-bels of the Mozambique National

#### Tunis and Cairo Open Diplomatic Relations The Associated Press

diplomatic relations after a break

of almost nine years.

The resumption of ties, effective immediately, was announced Sat-urday in a joint statement issued in Tunis and Cairo. Tunisia is 10th ties with Egypt since November.

MANAGERS

AUDITOR

VICE PRESIDENT.

The United States gave \$10 mil-tion in economic aid to Maputo and \$75 million in food aid last year. To the consternation of some President Joaquim Chissano of Mozambique at the White House, has resisted a lobbying campaign to win U.S. backing for the rebels.

7,000 tons a month. In Vila de Sena, or River near the Mi

Mozambique in the last several as Namacata has forced an estimat-years have helped bring the country ed 1.8 million people to abandon ed 1.8 million people to abandon villages in the north elicited similar stories of destruction. A tour by several foreign corre-

rural districts was arranged and conducted by the independent reing crops, resulting in severe food lief agency CARE International, shortages that are directly affecting which runs the largest food distribution of the country's 14 milbution program in Mozambique. which runs the largest food distri-bution program in Mozambique. CARE officials said they invited

the correspondents in the hope of focusing attention on an annual 800,000-ton food deficit that has led to a famine rivaling the betterknown plight of Ethiopia.

CARE representatives and U.S. diplomats in Maputo said the misery of Mozambique had been exac-erbated by increasing numbers of guerrilla attacks on emergency food convoys. In the past three months, more than 400 people have died in ambushes on convoys, many of them within 30 miles of

Maputo.
Since 1984, CARE officials said TUNIS — Tunisia and Egypt 15 of the agency's truck drivers and have announced the resumption of assistants have been killed in amdiplomatic relations after a break bushes, 75 trucks have been de-

"In the last six months, every said they were forced by governegy appeared to have shifted from

concentrating on the Zambezia
Valley to trying to isolate Maputo.
Mike Mispelaar, CARE's operations chief in Mozambique, said conservatives, President Ronald 35,000 tons of gram were needed Reagan, who met in October with each month to feed the starving but the organization received only

In Vila de Sena, on the Zambezi River near the Malawi border, The destruction of villages such townspeople talked about an attack last month in which 11 persons were killed and four were kidtheir homes. Visits to other remote napped by gnerrillas, who often force villagers to work for them. The once-thriving railroad town had been occupied by rebels from spondents to normally inaccessible September 1986 to March 1987, when government troops retook it.

Antonio Enoque, a local leader, said the guerrillas came at night and threw a hand grenade into a house, killing seven persons, then opened fire on other houses as residents and a contingent of army troops fled across the river. Three days later, the soldiers counterattacked and drove the guerrillas out he said.

Luis Jimo said he was abducted by the guerrillas, along with his wife and five children, and forced to march for four days with a 100-pound (450-kilogram) sack of rice on his back and no food to eat. He said another of his children had been killed during the attack by a After a few days, he said, he and

most of his family escaped, leaving behind one child who was sleeping

NAMACATA, Mozambique — istration, which sees Mozambique's come under attack," said the local that if they remained behind they find that if they remained behind they manufacian relief convoys have cut off more than a million subsistence controlled by the Reagan administration relief convoys have cut off more than a million subsistence controlled by the Reagan administration relief convoys have cut of manufacian relief convoys have cut of the West and off more than a million subsistence controlled by the Reagan administration relief convoys have cut of the repeat of the

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in another part of the guerrilla 450 tons of food and relief supplies have been looted or destroyed by guerrillas. They said 500 tons of commodities also were stolen or more people have moved to relocations of the constant Arab nation to restore diplomatic destroyed in attacks on ware-tion centers because of the constant attacks. In some cases, the refugees INTERNATIONAL POSITIONS

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# Lacroix a Hit Again On a Playful Note

By Bernadine Morris New York Times Service

PARIS — Christian Lacroix has done it again. For the second successive season, he has opened the couture showings here with a bang. He is always high-spirited and his clothes are always merry. But because the season at hand is spring and summer, usually a light- has designed a more moderately hearted time for fashion, he has been inspired to new heights of

Short, bouffant skirts are bouncy and playful. Small snug jackets are Theatre production of "Gaîté Paridecorated with contrasting borders and appliqués. Buttons are shaped

#### PARIS FASHION

like seashells or sea animals. Dressare shaped like miniature evening dresses and trousers have high waistbands and loose legs.

With three showings Sunday afternoon, he clearly dominated the first day of showings.

There was plenty of contrast, from the short daytime skirts to full skirts covered with draped satin aprons, suitable for Marie Antoinette. The prominence of pants was a note for this designer. Colors were always stringent. Turquoise, orange, mimosa, yellow and hot pink are handled as easily as if they

were black or navy blue.
"It's so exciting to see how he puts things together," said Susan Gutfreund, one of the American conture fans at the first show. "He makes fashion so much fun."

Ivana Trump attended the second show with a group of friends she flew over in her private plane. Neal J. Fox, the chairman of Gar-finckel's, the store based in Washington, organized a trip for a dozen customers to attend the couture shows, including Lacroix's.

Lacroix, 37, who was trained as an art historian and is a native of Arles, has not only established himself as a fashion leader in just two collections under his own name - before that he designed for the house of Patou - but he also helped revive interest in the other couture houses. Before the showings end on Thursday, 20 other houses will have shown their collec-

The ethnic themes derived from the south of France continue to dominate Lacroix's clothes, transmuted in his own way, so there are provincial prints, lace and organza shawl collars, tassels and appliqués. His basic style hasn't changed, but it still looks refreshing. Satin ribbons are tied around shaped like shells or sombreros.

my babies," the designer said. "But I had just a month to work on

Since his first couture collection show in July 1987, he has produced an expensive group of ready-to-wear, which he traveled to the United States to introduce. He also priced ready-to-wear collection, to be made initially and shown in Paris in March. And he has designed costumes for an American Ballet sienne," which had its premiere last week in Tampa, Florida.

A film showing Lacroix at work on the costumes and highlights from its premiere Tuesday were the highlight of a party Lacroix gave es are laced at the back, swimsuits after his showings at the Opera-Comique. The party was to say thank you to "retailers, clients and all the fashion professionals who have helped us so much," according to Jean-Jacques Picart, Lacroix's business partner. It also marks the first anniversary of the signing of the financial agreement between Lacroix and Financière Agache, which made possible the establishment of the couture house.

"It gives our friends here a chance to see another side of the Lacroix talent," Picart said of the 60-minute film. The ballet is to be esented in New York on April 20, but there are no immediate plans for it to be seen in France.



Christian Lacroix's one-piece laced bustier and shorts in satin.

#### ISRAEL: Minister Denies Beatings Are Army Policy

(Continued from Page 1) United States. The leading story was that the cabinet secretary, Elia-

kim Rubinstein, was being sent to America to explain Israeli policy. The broadcast reported that the Israeli ambassador in Washington,

Moshe Arad, said the public opin-ion damage was heavy and had "hurt Israel's image of being an enlightened country." Sunday's edition of the Hebrew

newspaper, Ha'aretz, carried a dis-patch from Washington on the re-action, with a headline in English: "The Week of the Sticks."

"Every day the State Depart-ment and White House in Washington get hundreds of phone calls and letters from American citizens," the newspaper said.

"According to a source, 95 per-cent are hostile to Israel. Maybe a third never supported Israel, but what about the rest, the source said. Many calls come from Jewish the ankles. Handbags are shaped elements and people who declare like straw baskets and hats are their support for Israel first. It's not surprising, considering what they cameras.

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Ha'aretz said.

There has been little public discussion on the issue in Israel, however, partly because the army is a sacred institution.

Reports of the meeting Sunday of the often bitterly divided coalition cabinet, which went into secret session as the Defense Committee, indicated little difference of opinion on the substance of the policy,

only the style.

Prime Minister Yitzhak Shamir of the hardline Likud bloc has publicly endorsed the policy of Mr. Rabin, who belongs to the nomi-nally more dovish Labor Party.

The Jerusalem Post, in an analysis Sunday, said Labor Party members were less upset at Mr. Rabin's policy than at his bluntness in the announcement of it.

The question of image is domi-nating Israeli political discourse, with constant references by leading figures not so much to events themselves but to the events' being played out before foreign television

see on TV and read in the papers," \* West Bank Editor Held

Israeli authorities ordered a West Bank editor detained without trial Sunday and imposed a travel ban on another editor two days before he was to visit Washington, Agence France-Presse reported

nday from Jerusalem. Salah Zuheikah, 35, editor of Al Shaab, a publication that supports the Palestine Liberation Organiza-tion, was placed under administrative arrest after having been detained two weeks earlier. Palestinian sources said.

Under administrative arrest, which is renewable, a person can be detained for six months without

Hana Siniora, editor of the East Jerusalem newspaper Al Fajr, said he had received a letter from Mr. Shamir's office telling him he was banned from traveling abroad for three months.

Mr. Siniora, whose paper is also sympathetic to the PLO, was to pose the death penalty for certain have left Tuesday for a conference in Washington of Christian, Moslem and Jewish leaders.

# TREATY: Rivalries and Election Politics Will Mark Senate Debate

floor debate as Senator Sam Nunn Democrat of Georgia, who heads the Armed Services Committee vied to capture some of the limelight from Senator Claiborne Pell-Democrat of Rhode Island and chairman of the Senate Foreign Relations Committee. His panel has primary jurisdiction over the trea-

You have 100 prima donnas here, and each one is sovereign," a Senate side said

The Senate Select Committee on Intelligence will hold separate, closed hearings on the verification provisions of the treaty, and several ad hoc Senate arms control groups have also served notice that they intend to help advise and coordi-

nate work on the treaty. Senator Jesse Helms of North Carolina, the ranking Republican on the Foreign Relations Committee, said that he had evidence of Soviet cheating on the treaty and said he had asked the Central Intelligence Agency to judge the accura-cy of his data before the hearings

began. Mr. Dole, who after weeks of public hand-wringing decided he duced by the Northrop Corp., that would work to pass the treaty, flies over enemy territory for hours asked Mr. Pell this month if he then zooms down to destroy enemy could be the lead-off witness at the radars as soon as they are turned Foreign Relations Committee on.

come earned through hard work

An aide to Mr. Reagan said,

The president's supporters who

want him to remain in an aggres-

sive posture in his last year in office

will be quite pleased" with the leg-islative agenda he sets forth Mon-

day. In his weekly radio address Sat-

urday, Mr. Reagan said he would

again urge Congress to endorse a

constitutional amendment requir-

ing a balanced budget. He will also repeat his plea for Congress to give him the power to kill selected items

in spending bills. And he said he

"may have a surprise," a way for

Congress to show it is serious about

"putting the government's house in order." But he did not elaborate.

Reagan would also make these

points in his legislative message:

White House officials said Mr.

Congress should provide mon-

ey for a major expansion of federal

prisons, which are seriously over-crowded. Federal prisons have

cy, should adopt procedures that

would permit federal judges to im-

crimes. The Supreme Court has

held that the penalty is unconstitu-

dom, capricious, unpredictable

(Continued from Page 1)

which began five years ago, will be

according to U.S. sources.

Officials in the State Depart-

hearing Monday. The hearings will pliance procedures adequate to NATO a year or two after the treative place two weeks before crucial protect U.S. interests?

• Should approval of the accord the treaty has become an issue

among the Republican candidates. Preliminary battle lines have been drawn around three major is-

 What impact will the removal of missiles contemplated by the treaty have on the balance of conventional armed forces in Europe, where the Warsaw Pact nations are generally conceded to have an ad-

# General John R. Galvin, the commander of U.S. and allied

#### (Continued from Page 1)

intelligence experts, believe they have identified a few weak links in the Soviet armed forces that would be relatively cheap to exploit and would cause major problems for the other side.

be linked to assuring Soviet compliance with previous arms agreeof the agreement and cease the last

A number of senators, among them Mr. Num, would like to link approval or final implementation of the intermediate-forces treaty in some fashion to improvement in NATO's conventional force capability. Mr. Nunn has suggested advising the Soviet Union that the United States intends to assess the

• Are verification and noncom- conventional force balance in

#### EUROPE: U.S. Sets Arms Plan

As an example, an expert cited the potential of an unmanned drone called Tacit Rainbow, pro-

tem when the equipment and weap-ons are ready. Mr. Reagan is asking

Congress for money to continue

• Congress should provide \$2.5

billion for a program to combat

acid rain, which is caused by emis-

sions of sulfur dioxide and nitrogen

oxides. Federal agencies will en-

courage development of technol-

• The administration will begin

a major effort to sell public housing

and other subsidized housing to

low-income families who live in

• The federal government will

strongly support private efforts to

build and operate a small space

station, as both a laboratory for

scientific experiments and a factory

for use by private industry. The

government would lease part of the

commercial space station, which

could be orbiting the Earth in the

early 1990s, at least five years be-

ogy to reduce such emissions.

such buildings.

research on the system.

forces in Europe, repeated many themes from the new policy as he told reporters in Washington Friday that in the absence of intermediate-range nuclear missiles, military risks will increase, especially if budgetary constraints prevent modernization of the nonnuclear and remaining nuclear forces there. "I don't see this as a buildup," he

said of his call for modernization. "A buildup to me means more numbers. I would say, if there is an up in there, it's an upgrading."

tent with the president's effort to

strengthen the family as an institu-

In his message, Mr. Reagan also warns Congress against efforts to lift restrictions on political activi-

ties by federal employees. In No-

vember, the House of Representa-

tives adopted a bill to relax some of

those restrictions, originally imposed by the Hatch Act in 1939.

The Senate is considering the bill.

White House official said Mr. Rea-

gan would assail that provision of the law as a severe blow to First

Amendment rights and a "last-

minute appendage" to a catch-all

spending bill adopted by Congress

same city. Mr. Reagan's message

on Dec. 21.

Mr. Reagan will also call on

Until that statement, Mr. Helms Until that statement, Mr. Heinshad been playing a between the scenes role, allowing Representative Jack F. Kemp, the consequence New York Republican who is seeking his party's 1988 presidental nomination, to wage the public battle against the treaty, though he will have no vote because he is in the House of Representatives. Mr. TAX: Reagan to Propose Cut in Levy on Capital Gains House of Representatives: Mr. Kemp has said that the Quited States capitulated to Soviet demands in the rush to get the heavy ready for the December summit. (Continued from Page 1)

• The United States will deploy care needs of working parents. The not be given a preference over in
a space-based missile defense sys
secretary of labor, Ann Dore secretary of labor, Ann Dore McLanghlin, will work with state and local agencies and private em-ployers to meet these needs, consis-

As a conservative strategist said: Our game is delay, No. 1, and No. 2, keep the treaty from coming to the floor for a vote. Dichagi con-servatives are going to put this trea-ty through every jot of the rules, examine the text with a fine-soon comb, muster every argument in effect filibuster by proceding.

States reserve the option to pull on

phased withdrawal of American

Committee said it is rare for the

Senate to make amendments to the

text of the treaty itself, a process

that would require Soviet approval But Senate parliamentary rules and

procedures offer wide latitude for

maneuvering, and treaty oppo-nents have already warned that

they intend to use every tactic at their disposal to block or delay the

treaty's passage.
So far only a handful of sensions

— Mr. Helms; Steven D. Syns, Republican of Idaho; Larry Press

ler, Republican of South Dakota; and Richard C. Shelby, Democrat

of Alabama - have indicated they

are likely to oppose the pact. Mr. Helms, one of the Senate's most

skilled parliamentarians said last week that the treaty will absolute

ly have to be amended to correct significant defects and loopholes."

Aides on the Foreign Relations

missīles.

Mr. Nunn, who has been patting the administration over its nenter-pretation of the 1972 Anti-Ballistic Missile Treaty as well as a new policy on how treaties in general are to be interpreted, has demandare to be interpreted, has demand ed access to the negotiating rejord

Congress to repeal part of a new law that, in effect, requires Rupert Murdoch to sell media properties "We are compelled to look at in New York and Boston. The both the treaty and the negotiating record because the executive branch has told as, one that we can't take their word about what a treaty says, and two that if we think something is important or unclear in a treaty we have to lag

Such a process could drag out the timetable for approval.

#### HAITI: Manigat Wins

(Continued from Page 1)

mats and observers say, Hain's economy is due for a major shock. The gourde is peaged to the dollar at an artificially inflated exchange rate and is worthless out-

After April, when the fall effect of the cuts will be felt, a U.S. official said, "They will not be in a position to pay for many new im-

Since the aid cuts were announced in early December, the Haitian government has drawn on foreign reserves to pay its external debts. To meet salaries, it has been creating new money, having the treasury credit the bank accounts of individuals and busines

Foreign tourism dried up after a succession of widely publicated killings, including those during the November voting. Hait's remaining foreign exchange comes participated in the promise and such and sheel with the promise and the promise MOSCOW - The population of tries, and cash and checks stall the Soviet Union rose to 284.5 mil-back home from Haitians in Milion at the start of 1988, and the ami, New York and elsewhere

The government is aware that these sectors alone cannot fine ported that "toward the end of the the country's needs, and it has begun preparing for a crisis by impos-ing more taxes and increasing the The timing of a cutoff of U.S. of men "fell to 62 years." It said the military aid to the Afghan resisdownward trend was halted and tance has also stirred controversy. then reversed in the early 1980s.

#### fore a more ambitious project denearly 44,000 inmates, or about 60 signed by the government The law prevents the Federal percent more than they were de-• Congress should establish a Communications Commission signed to hold. permanent tax credit for businesses from loosening rules that prohibit • The U.S. Sentencing Commission, an independent federal agen-

that increase their spending on re-search and experimentation. Mr. Reagan also wants to establish same city. Mr. Reagan's message "Thomas A. Edison prizes" for says the law would inhibit the free people who devise innovative uses market of ideas and could actually of technology to improve the quali-ty of life.

force the closing of a newspaper, though he does not mention Mr. tional when it is imposed in a ran- ty of life.

• The administration will look Murdoch or The New York Post by

for new ways to address the child-name.

AFGHAN: Neutrality on Austrian Model Is Discussed Afghan rebels. One of four "instruments" previously negotiated in the Geneva talks calls for all outside "interference" to end within 60 days after peace accords come into force.

Secretary of State George P. Shultz said Jan. 7 that the United States of some into the persuaded that there is "no through the persuaded the persuaded that there is "no through the persuaded the persuaded

cember 1985 to act as a "guaranthe last before a withdrawal begins.
No dates for renewed talks have
with the Soviet Union. The United been proposed by either side so far, Nations was told at the time that Washington would play such a role "once the elements of an accept-

and perhaps the United States, of withdrawal details. This language was cited to make the point that any U.S. guarantee

The basic question in Washing-ton is whether the Soviet Union will establish credible terms for a military withdrawal and actually go through with it. Some U.S. officials are highly skeptical, consider-ing most of the Soviet talk about withdrawal to be a sham aimed at Also yet to be pinned down is neutralizing the issue and ending U.S. and Pakistani support for the Afghan resistance.
Others see a variety of signs that

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the Kremlin has no viable alternatives and say that increasingly strong Soviet declarations suggest that a withdrawal is coming.

One of the most politically contentious issues in Washington and Moscow concerns U.S. aid to the

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ment expressed hope that the Rus-sians would soon inform Pakistan, ed." said a U.S. official.

of an Afghan accord is conditioned on Washington's acceptance of the details of the accord. The details of a Soviet withdrawal, including its starting and ending dates and a schedule for the pullout of units, Soviet Life Expectancy Rises have not been established.

whether the Soviet Union would be permitted to continue providing arms and advisers to a post-withdrawal Afghan government adn the degree to which the great powers would aid the reconstruction of Afghanistan.

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(Continued from Back Page)

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the mission of Diego Cordovez, the Un mediator who is on a visit to "interference" to end within 60 turning back" on a Soviet with-days after peace accords come into drawal before cutting off the aid, suggesting that such an action might come later than 60 days after the accords enter into force.

Another question mark is the nature of the interim government that would rule Afghanistan during and immediately after the withdrawal. The U.S. has backed an interim

covernment not dominated by the Communists. Recently officials have seemed more reticent to express U.S. views on this point, saying the Afghan political future is up to the Afghans themselves.

#### The Associated Press

average Russian can now expect to abroad. live 69.6 years, Tass said Saturday. 1970s" the average life expectancy

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#### **EUROBONDS**

#### **Dollar's Stability Helps** Sector to Beat the Blues

MONDAY, JANUARY 25, 1988

By CARL GEWIRTZ

- The dollar sector of the Eurobond market snapped out of the doldrums last week with \$1.95 billion of straight bonds and \$1.04 billion of equity-linked issues offered for sale. The volume of straight bonds was significant. Not so the equity-linked paper, which reflects a renewed interest to acquire options to purchase Japanese stocks. The nibbling for straight bonds has been evident since the start of the month, begun by private investors in Switzerland laden with dollars received from interest and principal repayments. At present exchange rates, investors had no desire to sell the dollar income for other currencies and were content to reinvest the

By last week, the nibbling had broadened. With the dollar apparently stabilized on the foreign exchange market, Eu-Bankers say firstropean institutional investors also began returning to the market. In addition, bankers quarter activity in the report increased demand from market should be

the Middle East and Japan. Most experts expect the U.S. trade figures for Decem-

ber, January and February to be soft. Although the U.S. trade representative, Clayton K. Yeutter, caused the currency market some upset by his comments that the deficit would not shrink much until later in the year, this is in line with the forecast from the Organization for Economic Cooperation and Development.

substantial.

It estimated an average monthly deficit of \$12 billion in the first six months of this year, falling to an average of just over \$10 billion by the second half.

Further aiding the dollar bond market was last week's report of a plunge in U.S. housing starts and a tiny 0.1 percent rise in the consumer price index for December.

The trade and other economic data are interpreted to mean that dollar interest rates are in no immediate danger of rising and are likely to continue falling. This view was further enhanced by a comment from a Federal Reserve Board governor, Martha R. Seger, who said the U.S. economy would go through a cycle of slow growth during the first two quarters and may even lose

Y WEEK'S end, the rally in U.S. bond prices left U.S. interest rates at lows not seen since late July. Equally important, the decline in U.S. rates looks as if it will be matched abroad. The Dutch cut their key interest rates by a quarter point, the fifth reduction in three months and setting rates at a low not seen since 1959.

At the same time the Bundesbank announced that it would target money supply growth using a different measure, M-3, instead of the central bank money stock. This "should allow a more flexible stance on interest rates," said Credit Suisse First Boston in its weekly market telex. "Adoption of an M-3 target should mean that money growth relative to target ceases to create a bias in favor of monetary tightening." M-3 is the broadest measure of money supply and includes large time deposits. In Japan, banks were expected to lower their long-term prime

rate, confirming a softening of rates there.

A shift downward of interest rates in major markets would help the dollar, as the difference between dollar and other rates should

For non-U.S. investors looking at dollar investments this is an ideal scenario. It means that even if the dollar should decline a bit in the foreign exchange market, the likely capital gains to be earned on bonds, whose price appreciates as interest rates fall, will cover the currency risk. And if the currency holds stable, the ents n on appreciating bonds could be very profitable.

At present, bankers report, institutional investors are underweighted in dollar holdings and thus have plenty of buying room. Given the low risk in holding dollar bonds, investors are willing to rebuild their holdings, especially as there is some suspicion that the current range could well represent the low for the dollar. So far, however, purchasing of dollar bonds is being financed with dollar income and not the result of investors selling yen, Deutsche marks or sterling to buy dollars.

Data published by Orion Royal Bank indicates that interest and principal repayments on Eurobonds will total \$4.4 billion this month, \$6.9 billion next month and \$8.2 billion in March. About two-thirds of these payments are in U.S. dollars. Further liquidity will be provided by the premature retirement

of high-coupon dollar bonds that become callable this year. Put all this together, bankers say, and first-quarter activity in

the Eurobond market should be substantial. More importantly for banks underwriting the paper, the new issues were also profitable. The new paper did trade at discounts from the offering price but still well within total fees paid to

This reflects underwriters' unwillingness to get caught holding

See EUROBONDS, Page 9

#### **Currency Rates**

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#### Last Week's Markets

All figures are as of close of trading Friday ....

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# **Générale** Shake-Up Pledged

#### De Benedetti Says Firm Is 'Feudal,' Criticizes Board

Compiled by Our Stelf Front Dispatches BRUSSELS — The Italian fi-nancier Carlo de Benedetti has pledged to shake up Belgium's big-gest company, Société Générale de Belgique, if his hostile bid for effective control proves successful. Mr. de Benedetti, 53, whose ag-

gressive drive for a decisive stake in Société Générale has rocked Belgium's financial world, said in a television interview broadcast on Sunday: "I am not a predator, I am an investor and a builder."

But he said, "There is certainly a major process of modernization and rationalization that must be carried out and which we are going to carry out," on the 166-year-old company, which has interests in 1,358 enterprises around the world.

In sharp criticism of its current management, he said: "I would define its growth as miscrable, its profitability as modest" and its de-cision-making as "feudal." Mr. de Benedetti, who trans-

formed the Italian typewriter company Olivetti SpA into a giant maker of automated office equipment, said last week that he owned 18.6 percent of Générale, as it is known, and aimed to raise his stake further. He said "very prestigious" inter-

national investors supported his aim to create a pan-European holding company out of Generale and he would give them a reply soon. Belgium's banking commission has yet to agree to Mr. de Benedet-ti's bid.

In an hourlong interview on Belgian television, Mr. de Benedetti said, "I tell you clearly and frankly I intend to make La Générale the premier holding in Europe." He indicated that he had been

stung by remarks last week by René Lamy, 64, chairman of Générale, who accused him of trying to turn Belgium into a colony. Asked whether an earlier offer

still stood for Mr. Lamy to become president of the company under Mr. de Benedetti's control, he said: Absolutely not. I think frankly he has gone too far. We are at a moment when the future is confronted by the past. Meanwhile, Mr. de Benedetti's

French-holding company Compagnies Européennes Réunies, or Cerus, through which Générale shares were bought, said that it would make a further court challenge to a move by Societé Générale to defend itself by issuing 12 million new shares and thus dilute Mr. de Benedetti's stake.

Générale said that the new shares, which had been put in the hands of a subsidiary, Sodecom, reduced Mr. de Benedetti's holding to 11.22 percent. (Reuters, AFP)

## Diet Foods: Cooking Up Challenges to la Cuisine

Sugar Substitutes Not Medicine Now

By Kurt Ruderman Special to the Herald Tribune

PARIS - When the government recently lifted the 85-year-old law that banned the use of sugar substitutes in prepared foods, many of the giant international food companies sat up and took notice. France, a nation in which the regard for la cuisine is nearly a religion, seems ready for diet foods.

Two soft-drink makers, Coca-Cola and Orangina, see the government's decision as almost revolutionary and are set to market artifi-cially sweetened sodas. A full page ad in the newspaper Le Monde heralds the coming of "Coca-Cola Light" in the form a proclamation super-imposed over a photograph of the French Parlement in session. For Arnold de Beco, director general of A. Arnaud SA, the distributor of NutraSweet, a brand name for the sugar substitute

aspartame, the future is looking particularly rosy. Aspartame-based products, until now restricted in France to being sold in pharmacies as a medicine, will soon be on supermarket shelves. "Once they are sold in supermarkets, the medicinal image will disappear," Mr. de Beco said. "Other French producers of soft drinks, as well as dairy-product producers, will soon follow the example of Orangina and Coca-Cola."

Aspartame's move from the pharmacy to the supermarket, and the repeal of the 1902 law banning sugar substitutes, was the result of a legal battle that pitted a supermarket chain, Centre Distributeur E.

Leclerc, which wanted to sell the substitutes, against the pharmacies.

The Paris Court of Appeals ruled last December that since artificial sweeteners were not considered a medicine in other EC countries, the French law restricting their sale created a monopoly and, hence, a

trade restriction that violated Article 30 of the Treaty of Rome. Now Leclerc is expanding its horizons, with "soft drinks and dairy products high on our list," according to Michel-Edouard Leclerc, copresident of his father's company. Leclerc has negotiated a contract with an English company to produce a brand of sugar-substituted products called Sucrinel, which will include artificially sweetened fruit drinks and jams.

However, France's sugar industry has little to fear so far. The French are aware of the problems caused by excessive consumption of sugar, but there is no organized consumer movement against its use," said Claude Fischler, a sociologist at the National Center for Scientific Research in Paris, and a researcher in food and

That may explain why artificially sweetened chewing gum has not made a big impact in France. General Foods France, maker of Hollywood chewing gum, brought out a sugarless gum in September 1986. Jean-Pierre Plazonich, the company's marketing director, said sales were "average."

"People are really not worried about the quantity of sugar in regular chewing gum, which is extremely small compared to pastry or wine," he added.



Orangina, with the overturning of an 85-year-old law banning the use of sugar substitutes in prepared foods, is just one of many companies that are set to storm the French market.

Still, Mr. Fischler said, low-calorie and artificially sweetened foods have a future in France. "French eating habits are changing and are following the pattern in most Western countries, where meals are becoming less structured and are no longer eaten at specific times of the day." he said.

He added that in affluent Western countries, 25 percent of the population is on a diet of some kind. Before the health-food boom reached France, in the 1980s, prod-

ucts in this line were limited to low-fat dairy products from big companies such as Gervais-Danone. It launched its Taillefine line in 1964 with a low-fat version of farmer's cheese, marketed a fat-free yogurt in 1972, then expanded to fruit-flavored, fat-free yogurt, all containing sugar.

"While customers sought to reduce their fat intake, they still wanted something tasty," said a company spokesman. Legalizing supermarket sales "of aspartame will permit us to reach our goal of a near-zero calorie product."

In 1985, the frozen food company France Glaces Findus SA began making a low-calorie line, Cuisine Legère, with great success.

"The product would not have caught on 10 years earlier," said a Findus marketing executive. "The 300-calorie nouvelle cuisine-type dinners, which are relatively high-priced, have attracted an urban clientele: young, white-collar, health-conscious and athletic."

The fashionable Hédiard SA food chain's products director, Jean-

See DIET, Page 11

# Seoul Reportedly to Offer U.S. New Concessions

SEOUL - South Korea report- as well.

edly will offer a revised package of trade concessions to the United States after Washington's rejection last week of previous proposals. The new package, covering the sensitive issues of U.S. beef im-

ports, cigarettes and joint insurance ventures, will be presented in Washington by the end of January. the state-owned radio, Korean Broadcasting System, said Satur-

South Korean government officials declined to comment on the report, which said that the Office of the U.S. Trade Representative, in Washington, had notified Seoul on Friday that it was dissatisfied with the latest proposals. Local press reports said that the

United States had rejected South' Korea's offer to allow imported beef to be sold to tourist and huxury hotels and had insisted that sales be

permitted to ordinary restaurants number of proscribed underwriters dollars involved is small in compar-

Washington reportedly demanded, too, that Seoul immediately cut have become hot issues in Seoul the retail price of U.S. cigarettes from 1,300 won (\$1.67) to 700 won a pack by reducing surcharges or

once pertinent laws were revised, Washington was also said to have expressed "limited satisfaction" over South Korea's proposal to loosen restrictions on joint ven-

tures in the insurance business. Seoul had sought to prohibit companies from forming joint ven- most important market. tures with U.S. companies, to pre-

vent the resulting giants from monopolizing the industry.

to 15, press reports here said.

Beef, cigarettes and insurance because of protests by the cattle and tobacco growers and insurance industry employees, who contend that the U.S. demands threaten Seoul had proposed lowering the their livelihoods.

retail price set by its tobacco mo-nopoly to about 825 won a pack in Livestock producers have been the most outspoken, mounting pro-States in 1987. February, followed by a further cut tests that, in the past two weeks, in government offices.

But analysts say that the overall impact of these items on the balance of U.S.-Korean trade is small and that it now appears that Seoul will yield to Washington's demands South Korea's top 30 insurance rather than risk retaliation by its

Press reports here, which had focused on the purported unreason-ableness of the U.S. demands, have The new proposal will reduce the begun to note that the amount of for comment on the report.

ison with the overall trade picture. Yonhap news agency said Satur-

day that if South Korea were to accept all of Washington's demands, South Korea's trade surplus would be reduced by less than According to government statis-

tics, South Korea rang up a \$9.2billion surplus with the United The Economic Daily in Seoul re-

paring to invoke U.S. trade laws to mpose retaliatory tariffs on South Korean goods because of surcharges on U.S. cigarettes.

The newspaper also said that the Korean Embassy in Washington had informed the Seoul government that the United States had decided to bring the beef dispute before the General Agreement on Tariffs and Trade. Officials could not be reached

# Kodak's Bid Seen As Costly

#### Analysts Expect Big Borrowing in Sterling Takeover

NEW YORK — Analysts say Eastman Kodak Co. will have to borrow heavily to finance its \$5.1 billion bid that rescued Sterling Drug Inc. from a hostile offer from F. Hoffmann-La Roche & Co.

Not long after Sterling accepted Kodak on Friday, Hoffmann-La Roche dropped its bid of \$4.6 billion, or \$81 a share, saying it had offered what it viewed as a fair

Kodak agreed to pay \$89.50 per share, taking some analysts by sur-prise. "They're going to have to do a beck of a lot of borrowing," said Peter Enderlin, an analyst with Smith Barney Inc.

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Kodak said it expected the acquisition to dilute earnings by 15 cents to 25 cents a share for up to four years. Kodak, which is based in Rochester, New York, earned \$2.77 a share for the first nine months of 1987. Earnings for all of 1987 will be reported on Feb. 3.

One analyst, who asked not to be identified, said his preliminary calculation of the earnings impact was not as positive as the company's estimate. Kodak closed Friday on the New

York Stock Exchange at \$49.125, up 12.5 cents. News of the merger came after the market closed, the brokerage firm Jefferies & Co. said that in after hours trading it set a market price of \$44 to \$46. Jefferies said it was making a market in Sterling shares at a bid of

\$89. Sterling's shares had closed at \$78.375, down 50 cents, on the New York Stock Exchange. Analysts said they were not sur-prised that Kodak, the world's big-

gest maker of photographic products, made an acquisition in the drug industry. The company has entered biotechnology joint ventures and also markets diagnostic equipment. Kodak has been involved in pharmaceutical research since 1984. "Long term, they've had to own

a drug company, and they indicated publicly they wanted to do that," said Eugene Glazer, an analyst with Dean Witter Reynolds Analysts said the merger price

was a surprise, at \$400 million above Hoffman-La Roche's last of-They wanted to do it, and they

kind of had to do it in a big bite," Mr. Enderlin said of Kodak La Roche, which is based in Ba-

sel, Switzerland, originally bid \$72 a share for Sterling on Jan. 4, then raised its offer to \$76 and then \$81. Sterling had called La Roche's bid "grossly inadequate," and indicated it was seeking a friendly suitor.

#### Foreigners Again Become Net Buyers of Tokyo Stocks

TOKYO — Foreign investors have been net buyers on the Tokyo Stock Exchange for four consecutive weeks, ending months of net

In the first week of January, the fourth of those weeks, investors from overseas bought shares valued at 117.3 billion yen (about \$920) million), the second highest weekly total on record. The highest was 140.9 billion yen in March 1986. The monthlong buying spree came after about 20 consecutive

weeks in which overseas investors were net sellers, especially after the worldwide market collapse in October. Foreigners accounted for 22 percent of net selling for October and November. Tokyo analysts attributed the recent buying to a number of factors.

On Jan. 6, the government said it would postpone for one year new accounting rules on investment funds called tokkin. These funds, which offer reduced exposure to capital gains tax and have therefore been popular among Japanese companies and financial institutions, have greatly influenced the market in the past few years. The new rules would have required that tokkin funds value their

shares at either the market price or the acquisition price, whichever was lower. That led to fears that the funds would sell shares in order to realize gains before the new rules went into effect on April 1, the beginning of the new fiscal year. Investors feared that this, in turn, would lead to a steady decline in stock prices. The decision to delay the new rules relieved pressure on tokkin

funds to sell their shares. While the funds do not directly affect foreign investors, prospects for the Tokyo market improved, and that may have encouraged foreign buying, according to Richard P. Mattione, a vice president for Morgan Guaranty Trust's international economics department in Tokyo.

"It let the Japanese remain in the market," he said, "and all other things being the same, the more people in the market, the more prices are likely to rise."

Investors were also encouraged, analysts said, by the sharp rise of the dollar during the first week of the new year. With news reports that the Group of Seven major industrialized nations had reached a secret agreement to try to keep the dollar between 125 yen and 150 yen, the dollar surged from around 121 yen to 129.55 yen on the Tokyo foreign exchange market during the week beginning Jan. 4. Both Japanese and foreign investors were reassured by central bank intervention, and the Nikkei index of 225 selected stocks finished the

week at 22,872.56 yen.

unless they all move at once."

Analysts in Tokyo said overseas investors needed to get back into the Tokyo market. If the Tokyo market goes up relative to other markets and foreign investors are not there, Mr. Mattione said, their overall portfolios look bad. Japan accounts for about 40 percent of world stock market capitalization. While foreigners have often said the Tokyo market's price/earning

ratios are too high, analysts here said this has changed somewhat since October. "The 'P' of the P/E ratio has improved," Mr. Mattione said. He said, however, that while Japan's market has fallen from its peak by about 14 percent, other markets have fallen even further. The U.S. market is about 30 percent below its peak. Even though overseas investors appear to be re-entering the Japanese market, analysts here do not believe foreign investors will cause a

wave of buying or selling in Tokyo. "Foreign investors make up about 3 percent of the market," said Mr. Mattione. "That's not very much,

# **Retin-A at Least Makes** Johnson Look Healthier

oil cure, Johnson & Johnson's Re- counter medication.

Even though it has yet to demon-strate, though large-scale studies, that the cream can reverse some of the effects of skin aging and sun damage, millions are expected to race to their doctors to get it.

"Sales of Retin-A are already jumping because of rumors it might remove wrinkles, so what do you think will happen now?" asked Larry Feinberg, an analyst with Drexel Burnham Lambert.

He was referring to a study published Friday in the Journal of the American Medical Association that showed, the prestigious jour-nal said in an editorial, that, "for the first time, there is good sound scientific work demonstrating the reversibility of the aging process in

The price of Johnson & Johnson's shares, traded on the New York Stock Exchange, jumped \$5.125 Friday to close at \$79.875. the fourth most traded issue of the day. On Thursday, the stock had gained \$3 on news of the report's mpending release. Since word of the study started

to spread, Johnson's market value has risen by more than \$1 billion. Medical experts caution that the

report was based on a small number of subjects and did not include a follow-up study. There were no indications, the researchers said, that benefits are permanent, with or without continued use of the Retin-A, which contains a deriv-

nive of vitamin A, has been available as a prescription anti-acne medication since 1971. It is marketed by Ortho Pharmaceutical Corp., a division of Johnson & Johnson's Last year sales of the cream jumped 50 percent, to about \$50

million analysts estimate. They also

\$100 million a year by 1989, and NEW YORK — Whether it will that it could bring in even \$1 billion turn out to be a true remedy for a year in sales if Johnson & Johnaging skin or merely another snake son markets it as an over-the-

tin-A anti-acne cream could be the 101-year-old company's long sought fountain of youth, analysts say.

An Ortho spokesman, Rich Salem, said that Food and Drug Administration approval would be sought to market Retin-A as a prescription-only treatment for sundamaged skin this year. But, he added, the cream would remain a prescription drug for many years. He said that studies are also underway examining the drug's effect

on skin cancer. Analysts said news of Retin-A's anti-wrinkle properties could not have come at a better time for Johnson & Johnson.

"Retin-A signals a turnaround in the company's momentum," said Mr. Feinberg, of Drexel Burnham. Johnson is a big battleship that has been dead in the water for sev-David Saks, an independent ana-

lyst in New Jersey agreed, added that "Johnson & Johnson needs a new product that will add some luster to the company." In 1986 Johnson & Johnson earned \$329.5 million on sales of \$7

billion. Analysts said the company had several other promising products, including a noncaloric sweetener called Sucralose, a nonsedating antihistamine called Hismanol and a red blood cell booster that it has licensed from the biotechnology company Amgen Inc. But none of these has Retin-A's

market potential.

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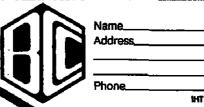
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**Toyo Construction** 

unsellable aggressively priced pa-

The widening demand for dollar

assets has meant not only a higher

volume of business but also a

lengthening of maturities. Until

now, two-year paper was the fa-

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affidavits to reporte rence began, occupant, ordered Mr. Shahan thout trial for six most neet cynicism or agreed Shehadeh, a promes awver. "It's getting ware He and others say that p e increased sharping General Enhrain Sai s civil administrator d ak lasi Septemba ma he felt powerless to de: aures of the occupation 🧸 s of what American and 🥦 er nual legal rights are organ ople are deponed wither ed to see the evidence ne late Justice Look ha S. Supreme Coun said ion could cost a mar al 🏖 fe worth living." And the ho have been depond to re not aliens: they mat rom the land of the hink wiship is another come. BS News did a Faz: program this month at here. When an Ambr of

Al Fair, tried to print the of the censors and a D it by Irving Shapon be .r. of Du Pont Compas. ortations were abhorat process of law and hade ss are middle-dass 🕮 n the people of the West were belinningly bourger - !रक्तांतर विद्यास **अर केव** iawyers and leachers (ie. years they have most about the occupation Ala e might be could hat period is over. The Gaza influenced by k entalists, stand a 5 s have been further Israeli policy of report who have done noting imary officers concit government of land 8 e to compansons to see

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Court Is Asked to Block San Miguel Meeting

are again possible.

ernment-controlled San Mignel newspaper Malaya said Sunday. It said Neptunia Corp., a San Miguel subsidiary, filed a motion at home. saying that government nominees on the board would act beyond

their powers. Nine of the 15 board members are nominees of the Presidential Commission on Good Govciate of the former president, Fer- or three new issues a day and not points, still comfortably within the

Semionated coupon indicated at 2%. Noncollable. Convertible of an expected 5% premium. Fees 2%%. Terms to be set EUROBONDS: Dollar Sector Shrugs Off the Blues

New International Bond Issues

1995 9% 101% 100.13 Noncollable. Fees 18%

\$200 1991 81/4 -1011/s 100.08 Soncelloble. Fees 11/1%. Also 200,000 worrents, priced of \$16/4 each, exercisable of par into company's \$16/4 bonds due 1995.

\$200 1995 9% 101% -- Noncollable, Fees 1%%, Denominations \$10,000

100% 99.00 Noncolloble. Fees 2%

. 1993 81/4 1011/4 99.90 Noncollable, Fees 17/4, Denominations \$10,000

- Noncollable, Fees 136%

99.40 Noncollable. Fees 25%.

98.00 Noncollable, Fees 1%%

98.70 Noncollable. Feet 19%.

99.50 Noncollable, Fees 2%

99,25 Noncolloble. Fees 25/%

99.75 Noncollable. Fees 1%%.

Redeemable and collable at par in 1991, Fees 14%, Denomi-

into company's shares at 1,220 yen per share and at 129.70 yen per dollar. Fees 247%.

into company's shares at 4,961 yen per share and at 128.55 yen per dollar, Fees 2,6%.

into company's shares at 1,210 yen per share and at 129,70 yen per dollar. Fees 24%.

one warrant exercisable into company's shares at an expected 244% premium, Fees 24%. Terms to be set Jan. 27.

one worrant exercisable into company's shares at an expected 24% premium. Fees 216%. Terms to be set Jon. 27.

Noncollable, Each \$5,000 note with one warrant exercisable

into company's shares at 974 year per share and at 132.30 yea per dollar. Feet 26%.

Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 733 yen per share and at 128.60 yen per dollar, Fees 244%,

one warron't exercisable into company's shares of an expect-ed 25% premium, Fees 25%. Terms to be set Jan. 28.

one worrant exercisable into company's shares at an expect-ed 21/2% premium, Fees 21/2%. Terms to be set Jan. 26.

one warrant exercisable into company's shares at an expected 297% premium. Fees 294%. Terms to be set Jan. 26.

Noncollable. Each \$5,000 note with one warrant exer

100.00 Coupon indicated at 5%. Noncollable. Each \$5,000 nate with

100.38 Coupon indicated at 5%. Nancallable. Each \$5,000 note with

98.00 Coupon indicated at 5%. Noncallable, Each \$5,000 note with

100.00 Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 1,938 yen per share and at 128.60 yen per dollar. Fees 24%.

98.50 Coupon indicated at 5%. Noncollable. Each \$5,000 note with

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101.50 Coupon indicated at 5%. Noncollable, Each \$5,000 note with

one worrant exercisable into company's shares at an ex ad 25% promium. Fees 25%, Terms to be set Jan. 28.

100.75 Noncallable. Each \$5,000 note with one warrant exercisable

99,50 Noncallable. Each \$5,000 note with one warrant exe

\$150 1991 81/2 1011/2 99.75 Noncollable Fees 11/1%.

\$150 1995 9% 101½ 99.95 Noncolloble, Face 1%%

Over 3-month Libor until 1998 and 0.50 over thereafter. Average life 6.4 years. Fees 0.60%. Denominations £100,000.

Mat. Coup. Price end

£ 175 2015 0.35 100

1991 814 100%

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per. As a result, offering terms were Equally, it reflected the outlook for widely regarded as fair to generous, reduced interest rates and the de-

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y 40,000 2003 5% 102

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DM 300 1998 6% 100% 98.65 Noncolicities Face 26%

DM 300 1995 5½ 100½ 98.20 Noncollable. Fees 2½%

DK 320 1991 1014 100% 99.13 Nancollable. Fees 11/%.

C\$ 50 1991 9% 100% 99.25 Noncollobia. Facts 196%.

C\$75 1992 9% 100% 98.88 Noncollable. Fees 11/%.

Aus\$50 1993 13 101% 100.38 Noncolloble, Fees 2%,

Aux\$ 50 1991 12% 101½ 99.88 Noncolleble. Fees 15%.

102 -

101%

991/2

1994

DM 300 1993 5

£ 100

Cooperation Economique, even its seven-year paper ended the week trading within fees, leaving the market offering yields of 80 basis points, almost a full percentage point, more than comparably dated U.S. Treasury paper Caisse Centrale, by contrast, the first to tap this maturity, set a margin of 70

basis points over the benchm: rk note that the closing period for the rate, which was deemed too stingy. reports was Sept. 30 and that the rate, which was deemed too stingy. By week's end, Caisse Centrale was trading at a margin of around

wored maturity.

But last week Nippon Telegraph
& Telephone, Japan Finance Corp.
and Caisse Centrale were able to 78 basis points over the Treasury rate, while NTT had moved down market seven-year paper, Norway offered five-year notes and Swedto a margin of near 70 basis points. ish Export Credit, General Motors The notable feature of last

Acceptance Corp., Export Development Corp. of Canada and Ekweek's business, bankers said, was the high quality of the issuers —all sportfinans sold three-year notes. government or government-guaranteed except for the recently pri-On the basis of last week's experience, bankers say it won't be long varized NTT and GM Acceptance, before 10-year Eurodollar issues one of the rare U.S. corporates still in favor with the Swiss.
The terms on the GMAC issue The lengthening of the maturity

were set at 85 basis points over the Treasury yield, but the company also sold warrants to buy 814 percent bonds maturing in 1995. The warrants were offered at \$16.25 MANILA — The Supreme cost of funds to a low 20 basis
Court has been asked to stop gov points over the Treasury rate,

But not many U.S. companies Corp., the Philippines' biggest are expected to tap the market. In-manufacturing concern, from hold-ternanonal investors are not keen Bank and Dresduer Bank turned ing a board meeting on Jan. 28, the on U.S. corporate paper and U.S. down the invitation to join the companies can raise funds at management group, although a discheaper cost for a longer maturity tinguished list of managers was put

equity-linked bonds are again meeting good demand from both international and Japanese invesernment, which sezzed 38.1 million tors. The sector should hold up, shares of the company on suspicion bankers say, if underwriters hold that they were owned by an asso-volume to the present level of two

profile further demonstrated inves- drowned this sector of the market tors' comfort with the dollar. late last year.

Not to worry, says Takuma reduced interest rates and the de- Amano of Yamaichi Securities in The only exception was the \$300 size to capitalize on the higher in- Tokyo. "Buying market share is million issue for Caisse Centrale de come provided by longer dated palast year's story," he says, alluding to the activity of Japanese underwriters that was aimed solely at pushing themselves up on the leagne table of most active underwriters.

Although the major Japanese se-

curities firms have just reported record earnings increases, analysts Japanese, like many others, suf-fered big losses in the October de-bacle. These analysts conclude that the Japanese are no more eager to arrange business on which there are no profits than their European or

American competitors.
That said, two issues stood out last week as carrying terms regarded as very aggressive.

Daiwa brought Anstria to the Euroyen market with an issue of 30 billion yen of 10-year bonds and 40 billion yen of 15-year bonds. The maturities are far longer than investors want and the yields of 5% and 5½ percent offered no incentive to overcome that resistance. In the Deutsche mark sector,

Credit Suisse First Boston brought Sweden to market with a 300 million DM, seven-year issue bearing a coupon of 5½ percent and offered

at home.

The situation is exactly the reverse for the Japanese, whose offered to yield 50 basis points more than the three-year issue for Osterreichische Kontrollbank, and deemed that adequate compensation for a two-year stretch of matu-

OKB ended the week down 1% resume the flood of paper that underwriting fees.

By James Sterngold

New York Times Service NEW YORK - Nothing irritates investment bankers more than losing the huge fees they can earn for arranging major corporate deals. And when the firm's own parent is the one that snatches away the deal, tempers can flare.

That is what happened recently at Kidder, Peabody & Co., the venerable Wall Street firm that was bought by General Electric Co. in 1986. According to a number of Wall Street executives, who

spoke on condition that they not be identified, Kidder investment bankers put together a proposal for Kidder to join with the top executives of Montgomery Ward & Co. in buying the huge retailer from its parent, Mobil Corp., for more than \$1 billion. Kidder expected to receive about \$40 million in fees for providing advice and arranging the financing, and it planned to invest some capital GE had set aside for Kidder for just such purposes, the sources said. It was a plum at a time when such plums are proving rare.

The problems arose when Kidder officials went to General Electric Capital, the financial arm of General Electric, to get some of the financing and an agreement that it could use its capital fund. According to sources familiar with the deal, GE told the Kidder officials that the complex transactions did not contain the appropriate financial architecture and that GE would handle it from

What startled and angered Kidder's investment bankers even more, the sources said, was that they were told not to talk further to the client. That meant that GE apparently was willing to let its subsidiary lose out on the big fees because it was more concerned about protecting the hundreds of millions of dollars it might invest in the deal. GE's finance division is still active in trying to arrange a buyout of Montgomery Ward, the sources said.

"We're not going to comment on transactions under way," said Gary Wendt, chief executive officer of GE Capital, adding that relations between GE and Kidder had generally been good. But asked whether Kidder's investment bankers had expressed displeasure, he said: "It's not too surprising to hear that there is concern on Wall Street. We hope that there's not too much of that at According to several Kidder sources, the strains at the firm reflect the collision between GEs tightly structured culture and Kidder's traditionally more free-wheeling atmosphere. There are signs, too, that General Electric might not be entirely happy with Kidder. GE has discussed selling as little as 5 percent to as much as half of its stake in Kidder with a number of potential buyers, includ-

Montgomery Ward Deal Increases GE-Kidder Estrangement

There are signs, too, that General Electric might not be entirely happy with Kidder. GE has discussed selling as little as 5 percent to as much as half of its stake in Kidder with a number of potential buyers.

ing Nomura Securities of Japan. Kidder and GE officials have confirmed these talks for the first time, but insisted that the intent was to find a partner that would enhance Kidder's business prospects in Japan. Still, the uncertainty created by those talks has fanned the discontent at Kidder,

In a way, the dispute is a sign of the times on Wall Street. GE paid \$600 million for 80 percent of Kidder, expecting a strong alliance to emerge in the then-booming markets. Since, however, Kidder's prospects have been marred by an incider trading annually an incider trading annually and the street trading annually annually annually trading annually annu insider trading scandal and the tougher environment since the stock market plunge. GE, like other major corporations that previously bought interests in Wall Street firms, now finds itself struggling with a business that is contracting, and has asserted more control. That clearly has irritated Kidder's independent-minded investment bankers, whose bonuses were chopped last year and who are leery of missing out on any deals that come their way.

Max C. Chapman Jr., Kidder's president, insisted that communication between Kidder and GE was strong. He said, too, that he would not comment on any specific deal, but added that if GE had turned down a transaction, "There is a perfectly logical reason for that when all the facts are known."

Just a week ago, GE and Kidder issued a memorandum trying to quell the rumors that "Kidder, Peabody is on the block. This is not true," the memo said. "It is true that

some of the firms mentioned would like to own Kidder. In fact, GE and Kidder have received calls expressing such interest. On each occasion, the answer has been flatly no."

But Thursday, Mr. Chapman, who was one of the officials who signed the memo, said that the talks with Nomura and others grew out of efforts to determine how Kidder

could build a stronger presence in key overseas markets. "It has been apparent to the world that we didn't commit the resources in London and Tokyo that some others did and we began to discuss with GE what we should do," he said. "We decided to start with Japan and we discussed the possibility of forming a strategic alliance with someone there as one way to build. GE was not saying, 'We want our money back.' GE said that they would be willing to sell some equity as part of a strategic

alliance if it would enhance the value of Kidder."

Mr. Wendt suggested that such a deal was likely at some point, even if not with Nomura. "Kidder needs to expand its activities internationally and we think an alliance is the

way to do it," he said.

When GE bought Kidder it hoped that the medium-size securities firm would help it complete the process of transforming itself from a smokestack manufacturer to a hightechnology and financial services conglomerate. Kidder, however, was snared in the insider trading scandal that led its former top investment banker, Martin A. Siegel, to plead guilty to insider trading charges. He also implicated the firm

naving used inside information for illegal profits. Kidder had to pay \$25.3 million to settle the charges and initiated a major shake-up in its executive suite. Hurting morale worse was the fact that a number of GE officials assumed top jobs at Kidder, asserting control over a subsidiary that had expected to remain autonomous.

Adding to the problems have been the difficult markets. Kidder has said it will lay off about 1,000 employees as it seeks to rein in expenses. It also has had to fight off rumors that its retail brokerage division is for sale, although Mr. Chapman reiterated that it was not

## Market Boom Likely to Continue, but Charges May Not Rise

By Carl Gewirtz International Herald Tribune

PARIS - The international credit market made a big comeback last year, with the volume of new loans up 45 percent to a total of \$92 billion, a whisker away from 1982's all-time high of \$98 billion, the Organization for Economic Cooperation and Development reports.

Activity this year is expected to expand further, especially since the nsettled securities markets are likely to drive business back to the banks. And that, most bankers predict, coupled with tougher new capital requirements on banks, is bound to result in higher charges on new loans.

indicate that there is a large volume of new business about to be money will be used to prepay older launched, there is still no evidence and more expensive credits, althat charges are about to rise.

To the contrary, Thailand last fied which credit will be prepaid. week named 12 banks to arrange a Many bankers see the tende \$300 million credit bearing recordlow terms. The five-year revolving backstop facility carries an annual than two-thirds is taken down.

With front-end fees of 31/2 basis Term Credit Bank, Mitsubishi points, Thailand would pay 15.57 Bank, Mitsui Bank and Sanwa. basis points over Libor to fully draw Also included are Chase May the credit, down from the 27½ basis

points it paid on its previous facility. Bank and Societé Générale. In fact, Thailand expects to pay even less. Alongside the new facili-

INTERNATIONAL CREDIT ty there will be a tender panel of international banks, which will bid for short-term advances. Given the

dearth of new business in Asia, bankers expect Thailand to have to pay no more than Libor for threemonth money. These advances will be continually rolled over with the back-up new loans.

While comments from bankers to low-cost funds if the roll-over

process ever hits a hiccup. The though Thailand has not yet speci-Many bankers see the tender

panel as leading the way for Thailand to ultimately enter the commercial paper market. set at 51/2 basis points over the Lon-ment group includes seven Japa-

Industrial Bank of Japan, Long-muscle in the credit market.

Also included are Chase Manhattan, Commerzbank, Deutsche

The participation of the West Germans is notable. They have always shied from loans not tied to German exports and if they extend low-cost untied loans it would be via unpublicized private deals.

One banker, not included in the syndicate, says that "Thailand is the most professional borrower in Asia and knows what needs to be done to get these guys to join" by tying fu-ture, possibly more profitable, business to participation in this loan. This banker also reports that In-

dia, too, is adopting what he calls a "more hands-on approach." Morgan Guaranty last week re- reported to be planning to tap the

ported that the \$500 million credit market include Saab and AGA for the Oil and Natural Gas Commission of India now has 16 banks dustrial gases. in the lead management group and almost \$100 million raised through general syndication.

chews low-cost business, so its befee of 5 basis points, or .05 percent.

Citicorp was appointed to coor. ing named to arrange a low-cost can be extended to seven years if the charge to draw on the credit is dinate the loan. The lead manage-specified in the loan in the loan in the lead manage is soon million financing for Scandible both borrower and lenders agree. navian Airlines System caused a bit etitors note that rises by 2½ basis points if more that the Japanese are withdrawing Morgan was advising SAS on its than one-third of the amount is from low-margin business. The sevdrawn and by 5 basis points if more en are Bank of Tokyo, Fuji Bank, probably felt obliged to show its

couraged a flow of corporate debt

lion of Kimberly-Clark Corp. 30-year 9.5 percent sinking fund deben-

tures. The issue, nonrefundable for

10 years, was re-offered to investors

at par by an underwriting group

headed by Goldman, Sachs & Co.

the final two years — an average basis points. charge of 5 basis points.

maturity not exceeding five years. basis points over Libor for up to over Libor for more than that.

"It's clearly aggressive," comments a lending officer at a com-peting bank. "SAS can currently borrow up to \$150 million at a cost of only 9 basis points over Libor." Other Scandinavian borrowers

Group, a Swedish producer of inizing in consumer durables, is now in medium-term notes. in the market seeking a five-year

The annual facility fee on the in other currencies will cost 10 barevolving credit starts at 4 basis sis points over the relevant Libor. points for the first two years, rises There is a utilization fee of 5 basis to 5 basis points for the next three points if more than half the line is years and settles at 6 basis points in drawn, and front-end fees total 6

Waiting in the wings is Air Inter. The seven-year life is also aggressive, as the current fad is for a billion francs. Although long rumored. Credit Foncier has yet to The cost to draw on the credit is 5 decide when to come to the market. In the Euro-commercial paper

half the amount and 10 basis points market, Avis Finance Co. named First Chicago, Morgan Grenfell, Samuel Montagu and Swiss Bank Corp. as dealers to market shortterm paper denominated in dollars or sterling. No limit has been set on the program. Nationale Nederlanden's U.S.

affiliate, carrying the guarantee of the parent Dutch insurance company, appointed First Chicago, Morgan Stanley, Swiss Bank Corp. and S.G. Warburg to act as dealers in Darty, a French retailer special-marketing as much as \$200 million

The parent is already active in Morgan is another bank that es- facility of 100 million European the Euro-CP market, where it has units of account. As usual, the life about \$325 million outstanding

named to arrange a low-cost can be extended to seven years if Caisse Centrale des Banques Populaires, the French cooperative The facility, arranged by Crédit banking institution, plans to raise Paris, carries an annual fee of 6 Dealers are J.P. Morgan Securities basis points. Drawings in domestic (formerly Morgan Guaranty Trust francs will cost 15 basis points over Ltd.), Shearson Lehman Brothers, the interbank rate while drawings and Union Bank of Switzerland.

# **Prices of Fixed-Income Securities Up**

By H.J. Maidenberg New York Times Service
NEW YORK — Although many

investors remained idle, awaiting the U.S. Treasury's announcemen Wednesday of its February refinancing operations, the prices of fixed-income securities continued to rise and their yields to decline Friday, despite some brief flurries of pre-weekend profit taking. And while prices of Treasury cou-

pon issues finished below the day's best levels, the gains for the session and week were impressive. For example, the Treasury's closely watched long bond, the 8%

percent issue due in 2017, was being offered late in the session at 102 2, up 15/32 on the day and 1 6/32 for the week.

The gain caused the yield on the long bond, viewed as a barometer of the fixed-income market, to drop to 8.65 percent, from 8.70 percent Thursday and 8.76 percent a week earlier. At 8.65 percent, the long bond's yield is its lowest since the 8.61 percent reached last July 20. Also in the secondary market,

the Treasury's long notes, the 8% percent issue of 1997, rose 11/32, to 102 23/32, for a gain of 25/32 on the week. The yield on the long notes fell to 8,50 percent, compared with 8.57 percent the week before. Among shorter maturities, the \$8.75 billion of two-year notes the

Treasury plans to auction Wednesday traded on a when-issued basis to yield 7.46 percent, down from 7.49 percent the day before. Discount rates on Treasury bills also were off, with that on the 90-

day bills slipping 2 basis points, to 5.82 percent; the six-month issue was down 3 basis points, to 6.19 percent, but the one-year bill rate was unchanged at 6.38 percent. Also reflecting the increase in available funds, the basic overnight interbank lending rate, or the federal funds rate, was at 6% percent, down about one-fourth of a percentage point on the day. "The low funds rate was just one

of the positive factors in the bond market," said Robert H. Chandross. chief economist at Lloyds Bank. "We've also had on balance a flow of poor economic data this week. "The market is also being buoyed by expectations of a smaller refund-

U.K. Blocks Bertelsmann Reuters

LONDON - The Monopolies and Mergers Commission blocked the planned acquisition by Bertelsmann AG of W.H. Smith Group's half share in Book Club Associates.

ing terms of which will be an-well see the funds rate back up to nounced next Wednesday, as well as 6% percent next week," he said. the decline of \$500 million in the The easing of interest rates enamount of two-year notes to be

sold" then, he said. Topping the offerings. These included \$100 mil-U.S. CREDIT MARKETS

good news are reports that the Japanese institutions will be back buying the new long bonds next month."

While these positive factors may prove to be of a short-term nature, Mr. Chandross said, "the fact is the bond market today is a short-term affair. But, this aside, no one wants

to fight the tape."
William V. Sullivan Jr., chief economist at Dean Witter Reynolds, generally agreed with this assessment, but noted that the Treasury's reduced borrowings resulted from a large inflow of tax revenues, mostly corporate payments. "This may be temporary and we could

**U.S. Consumer Rates** Money Market Foods Desophus's 7-Doy Average Bank Money Market Accounts Bunk Rate Mealter Index 520% Home Mortgage, FHLB EVERTOR

**Treasury Bonds** 

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For Bachelor, Master and Doctor of Business Administration Decrees B.S.L. takes great pride in welcoming the second guest speaker in our International Lecture Series today at 17 h 00, the prominent private banker from Geneva

M. Georges-Andre Cuendet Whose topic is:

"International Monetary Turmoil" B.S.L wishes to thank the International Club of Cooperation, Geneva for its kind assistance. Members of the public welcome. 38, ove. Ed. Dopples, 1006 LAUSANNE - Tel.: 021/27 38 33

All these shares have been sold by private placement. The following appears as a matter of record only.

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Indosuez Asia Investment Services Limited (Manager)

**Asia Securities Trading** Company Limited, Thailand (Advisor)

January 25, 1988

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For Bold Martin Marietta,

The 'Pac-Man' Has Paid Off

By Louis Uchitelle

New York Times Service

NEW YORK - When Martin Marietta Corp. invented the "Pac-

Man" defense in 1982 - boldly bidding for the very company that

was trying to take over Martin Marietta - many on Wall Street

wondered whether the aerospace giant could survive its spectacular

Even though Marietta's earnings were weak, it decided to borrow

the \$1 billion needed to finance the retaliatory acquisition of Bendix Corp. and thus halt the raid of William Agee, the Bendix chairman.

had entered the picture, swallowing Bendix. Marietta, while still free, had quadrupled its debt, to \$1.2 billion, considered an insupportable

amount for a company with only \$3 billion in revenue and \$97 million

The Pac-Man defense, named for a video game, seemed so drastic

in fact, that it was not tried again until last week, when American

Brands Inc., fighting a hostile takeover attempt by E-II Holdings Inc.,

But Marietta did manage to get out from under its debt and it thrives today. Thomas Pownall, the chairman who engineered the survival

strategy, has acknowledged that the 1982 drama spurred him to carry

out the same restructuring that Mr. Agee probably had in mind.

Mr. Pownall, 65, and Norman R. Augustine, 52, who recently was

promoted from president to chief executive and vice chairman, bet the

company, in effect, on aerospace, Marietta's principal line of busi-

ness. The cement, chemical and aluminum divisions, although they

had come to represent a big portion of Marietta's operations, were

sold and the proceeds used to reduce long-term debt.

Debt, in fact, shrank to about \$500 million in 1983, although Martin

Marietta had to lay out a considerable sum to buy back a huge block of its stock that had fallen into Allied's hands. But the back-to-basics

approach was well timed, and Marietta benefited from the commonpia

The Maryland-based company had risen to corporate prominence

in the postwar years as the principal manufacturer of the U.S. Air Force's Tuan rocket and the army's Pershing missile. After the

Challenger space shuttle exploded in January 1986, the air force had

to go back to using the Titan to send satellites aloft and Marietta received nearly \$4 billion in new rocket orders.

Contracts for the space shuttle's fuel tanks and a prosperous

nilitary electronics business pushed total revenues to more than \$4

billion last year, from \$3 billion in 1982. Net income rose to more than

And Friday, Marietta got a \$508 million federal contract to build a

The announcement of that contract came after the closing of the

New York Stock Exchange, where Marietta's stock had risen 12.5 cents, to \$43.50 — still well below its 1987 high of \$56.50, but more

giant computer simulation for the Strategic Defense Initiative.

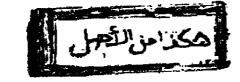
of military contracts awarded by the Reagan administration.

in net income that year.

announced a cash tender offer for E-11.

\$230 million, from \$97 million in 1982.

By the end of that dramatic and convoluted takeover, Allied Corp.



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II is the the test

#### OUTLOOK: For Wall Street, Question Is When Recession Will Arrive

ment strategist for Dean Witter Reynolds, declared: Industrial

America has risen from the dead," He said that industrial materials companies such as chemicals, papers, and metals "are at the fore-front and have re-established market leadership in the last few weeks. We now expect capital goods com-panies to increase their relative market strength and believe that technology stocks will be full par- on economic weakness."

ticipents."
On the other hand, according to the Pershing Division of Donaldson, Lufkin & Jenrette Securities ket, while not always measurable, is Corp., "Retail, consumer durables and service groups should be avoid-

merged with E.F. Hutton, predicts rapidly, the market was being afa decline in interest rates through midyear and suggests that bonds and other fixed-rate investments make good sense in that environment.

Economists in the housing field predict relatively stable interest more volatility. rates this year, which would be rates this year, which would be The opening of 1988 has been here Sunday without agreement on good for home builders and other disappointing to many investors price curbs, which are seen as the

real-estate interests. James W. Christian, chief economist of the U.S. League of Savings rise in stock prices often accompa-Institutions, forecasts that new housing starts will total about 1.6 million in 1988, about the same as estimate was on the optimistic end market is still too queasy to mount

By Kathleen Day

dustry faces another year of turnoil, with eco-

nomic depression in the oil industry, uncer-

tainty about the U.S. economy, major losses on

the \$500 billion in loans to lesser developed

countries and the slim chance that Congress

will act to let banks compete fully in the securi-

These economic and regulatory problems could benefit the industry in the long run if

banks respond in ways that make them leaner

If the economy slumps, however, many banks that have suffered from the financial

problems of the Southwest could be pushed

over the edge, according to regulators and ana-

Prospects for bank performance in 1988 "hinge upon the outlook for the U.S. economy

and further developments regarding the Third World debt situation," said Anthony R. Davis

of Wheat First Securities of Richmond, Virgin-

"Obviously the threat of a recession next year

ties arena.

and more competitive.

Washington Past Service
WASHINGTON - The U.S. banking in-

In an overall sense, the looming

"This is going to be a fairly disyears of the decade." The warning appointing year in the stock marcame from Jay Schabacker, author ket," said William C. Melton, a of the newsletter Mutual Fund Inwarket crash. Standard & Poor's westing. Express in Minneapolis. "It won't be disastrous but any money made in the first part of the year will be given back later. The stock market does not do well when it is focusing in 1988."

The Dow could trade in a range of 1,800 to 2,000, Mr. Melton said. nevertheless a significant factor, most analysts said.

in recent days, as stock prices Shearson Lehman Brothers, now alternately raced upward and slid Buyers step back from the market because they fear its volatility but

their absence then contributes to The opening of 1988 has been and analysts who were hoping for a repeat of the "January effect." A four trading days and many techni-

recession will have its own psychocently advised that they were enter-logical impact on the market. cently advised that they were enter-ing one of the most dangerous went public last year and promptly

Mr. Schabacker said he looked for a 10 percent rise in the market this year but noted that many of 1987's fund winners "will be losers

"In 1988," he said, "we'll have two enemies to fight: recession and inflation, and the funds that proteet against the one may be inappropriate protection against the he said.

The volatility of the market does return to their original offering have its appeal, however, for invesprices for months or even years to tors who like to take chances. For come."

Mutual-fund investors were re- instance, some analysts see oppor-

New Issues Index declined 27.6 percent between mid-October and

Dec. 31 for a net loss of 13.9 percent for the year, Since then, "new issue activity has come to a virtual halt," said

Robert Natale of S&P. "After years of outperforming the overall stock market, the newissues market is in a dismal state,"

"Many of these issues may not

# fection by the perception of volatility, according to Monte Gordon, research director at Dreyfus Corp. EC Farm Talks Fail Again

BRUSSELS - European Community farm ministers ended talks key to revisions of the community's

But diplomats said ministers nies the opening of a new year. The made progress on details of plans Jamuary effect this year lasted only to limit spending on oilseeds and cereals, which had caused talks to last year. He said, however, that his cal analysts said they thought the collapse Wednesday. Britain and the Netherlands continued to block system is expected to run out of agreement, however, saying that

For foreign debt problems, 1987 was a water-shed year for banks. Prompted by Citicorp,

"It was the most constructive attempt to deal

with Latin American debt problems," said L. William Seidman, chairman of the Federal De-

posit Insurance Corp., the federal agency that insures deposits at banks up to \$100,000.

He said that confronting the problem brought the industry one step closer to resolv-

But the domestic economy is also worrisome.

The Southwest economy continues to be in a

shump. The longer the depression continues, the harder it will hit banks there and the stronger

the pressure will be for consolidations or sales

Regulators say they expect bank failures to

But there are other regionals causing con-

total just under 200 in 1988, slightly less than

the 203 last year. As in 1987, half the failures

to out-of-state buyers.

are expected in the Southwest.

proposals made by West Germany would not provide enough savings. Agreement on farm price curbs is

vital to the success of a meeting of EC leaders in Brussels on Feb. 11 and 12 to discuss financial changes. The dispute over how to stop farm spending from consuming two-thirds of the annual budget of \$47 billion has left the group, which is nearly bankrupt, without a 1988 budget. Its emergency financing

#### U.S. Bank Prospects in 1988 Hinge on Economy ularly in such segments as construction and credit card lending," he said.

which set aside \$3 billion for possible loan losses, the industry began to formally recognize that large portions of its debt to Latin America Northeast.

Banks could win back some of the business they lost to Wall Street security firms as executives finance corporate operations by borrow-

ing money rather than by selling stock. Chances also are good that bank regulators among the top 12 industrial countries will agree on common capital rules, which would take the

get Congress to repeal a 55-year-old law that bars banks from most securities activity.

from hundreds of troubled and mismanaged savings and loans institutions, which sell the same services that banks sell but have been allowed to operate using riskier standards.

investor confidence in the U.S. financial system and have raised banks' cost of doing business,

#### years have closed banks whose assets accounted for 30 percent of the state's banking assets. And regulators have seen a slight but troubling rise in problem loans at banks in the

One bright spot for banks comes from the Oct. 19 stock market collapse.

world closer to a global regulatory framework. Prospects are less rosy for winning a push to

And a continuing drain to bankers will come

The S&Ls' problems have hurt consumer and

# 

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than twice the price in 1982.

#### **DIET:** New Challenges to la Cuisine

(Continued from first finance page)

Jacques Vidal, sees the success of the company's low-sugar jams as a promising market indicator. These jams, although now Hédiard's only low-sugar product, account for 30 percent of total jam sales.

"We are currently evaluating a new line of low-calorie sauces and prepared dishes," said Mr. Vidal, citing as an example a taragon sauce that has only 32 calories for every 292 grams."

Philippe Gautier, a beverage in-dustry analyst, said that French sales of soft drinks rose by 2 percent annually in 1985, by 5 percent in 1986 and by 7 percent in 1987. At the same time, he noted, the consumption of alcoholic beverages was decreasing.

Leading brands of soft drinks and mineral waters, such as Coca-Cola, Orangina and Perrier, he said, "will definitely be in a good position to launch a new product, and the market for nonalcoholic beverages is large." Mr. Gautier said he thought that "Coca-Cola represents a life-style that appeals to young people in France. The company's ad campaigns are and will be very effective."

Market studies conducted by Orangina and Coca-Cola show that Frenchmen eating low-calorie their most important consumer, group is likely to be women, aged 18 to 35, who are figure conscious. Coca-Cola will target this group during its initial ad campaign, ac-cording to Cyriac de Salaberry, a

company spokesman. Orangina see the stiffest compe-tition for its light drink coming from mineral waters. "In New York a secretary will have a can of diet soda on her desk while her counterpart in Paris will have a bottle of Contrex," said Roger Adida, commercial director for Orangina. "Until now, people who food — we use butter, sugar, eggs wanted to avoid sugar-based drinks and fresh cream, not exactly the drank mineral water."

Mr. de Salaberry disagreed "Coca-Cola light is for people who want to watch their figure; mineral water is for people who want to lose weight," he said.

In France, the per-capita annual consumption of mineral waters is about 65 liters (17 gallons), compared with about 23 liters for soft drinks. The country ranks as the lowest in Europe in drinking Coca-Cola, with a per-capita intake of 4.5

Coca-Cola's Mr. de Salaberry attributes these low sales to traditional French eating habits. "In Germany, where tastes are Americanized, per-capita consumption of Coke is 35 liters annually," he said. "While we have no hopes of people drinking Coke with lapin chasseur os boeuf bourguignon, the fast-food trend that began in France 10 years ago is a very significant indicator of a rapidly growing

Henri Luquet, the marketing director for Perrier, which has done well in both the United States and France with a fruit-flavored mineral water, was equally confident that his company could do well in the growing French health-food marker. He cited a 1986 poll of eating habits that showed one out of three food, one out of two limiting fat intake and one out of two watching sugar intake.

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"There is definitely a market for low-calorie food in France," said Sylvie Gille-Naves, daughter of Gaston Lenôire and spokeswoman for Paris's internationally famed family-owned Lenôtre caterers and restaurants.

But, she added, "not for us." "Lenôtre's customer's are not weight-conscious," she said. "They come to Lenôtre to eat exceptional ingredients of a low-calorie dish."

#### **American Exchange Options** Flaures as of close of trading Friday.

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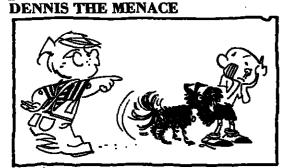
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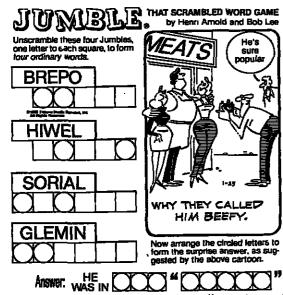
O New York Times, edited by Eugene Maleska.



Don't worry Joey. He's waggin' his tail!"



'YEAH, BUT HE'S BARKIN', TOO, AN' I DON'T KNOW WHICH END TO BELIEVE!"



Jumbles: TASTY PARKA OBLIGE DOUBLE Why the shopkeeper said tarewell to that bar-gain merchandise—IT WAS A "GOOD BUY"

#### WEATHER

EUROPE <u>AFRICA</u> LATIN AMERICA **NORTH AMERICA** MIDDLE EAST

#### **SPORTS**

# **SPORTS BRIEFS**

#### Haas Leads Tway and Azinger in Hope Golf

INDIAN WELLS, California (UPI) - Jay Haas sank a 50-foot (15.20-meter) wedge shot for eagle Saturday to fight off challenges by Bob Tway and Paul Azinger and take a one-stroke advantage entering Sunday's final round of the Bob Hope

Haas, who had shared the lead with Azinger entering the day, stood at 20-underFor Roberts, who ruled last
par 268 after his 4-under 68 at Bermuda Dunes. Tway, following a 67 that featured a September that major league club pair of eagles at La Quinta, was 19-under. Azinger, with a 70 at La Quinta, was

Dave Edwards (a 65 at Indian Wells) and Mark O'Meara (a 68 at Bermuda Dunes) were three strokes back of Azinger and five off the pace at 273. The tournament was scheduled to end at Indian Wells — the shortest and easiest of the four desert courses used in the 90-hole event — where Haas shot a blistering

#### America's Cup Defenders Opt for Catamaran

SAN DIEGO (AP) - Sail America, forced into an early defense of the America's Cup, confirmed late Friday that it would defend late next summer in a catamaran against the monohull of New Zealander Michael Fay. It also said that it would do so in Long Beach, California, or Hawaii - not the home waters of San Diego Yacht

Club, where the trophy now resides.

The two boats are scheduled to meet Sept. 15 for the first of a best-of-three-race series. Fay's syndicate is building a monohull 90 feet (27.36 meters) at the waterline;

the U.S. catamaran likely will be smaller and lighter. Fay issued his challenge last July based on a literal interpretation of the 100-yearold deed of gift that governs cup competition. A court found Fay's challenge valid, scuttling plans for a 1991 regatta off San Diego in 12-meter yachts, the boats used in the cup for the past 30 years. Sail America then said it too would abide by the deed which it says allows the defender to pick the venue and its own boat.

Solution to Friday's Puzzle

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I GOTTA HAND

YOU'RE REALLY

IT TO YOU, BEETLE,

DIETS

#### North 21, South 7

MOBILE, Alabama (AP) - Washington's Chris Chandler and Don McPherson of Syracuse threw touchdown passes to spark the North to a 21-7 victory over the South in Saturday's 39th Senior Bowl, the all-star game that marks the end of the college football voided.

March 1 and miends to continue as a free agent, his old contract is voided.

Chandler engineered a 99-yard scoring drive in the first period, bitting will another team, his former club will not receive compensation under the compensation of UCLA with a 36-year yard TD pass. McPherson, the All der the ruling. American who led Syracuse to an 11-0l record, hit Anthony Miller of Cennessee on a 53-yarder 50 seconds before halftime.

The South leads the series, 19-17-3, not included in the ruling because

I REMEMBER WE

TRIED THAT ONCE.

I THINK I'D REALLY

PANIC

...AND APTER PAYMENT OF MY JUST DESTS....

THEY'RE PAYING

KNOW HOW

WHY CAN'T YOU AND

YOUR POG DO SOME

THINGS TOGETHER?GO OUT

AND CHASE SOME RABBITS.

THANKS

NO. JUSTA BIT PUZZLED

# Free Agency Is Restored for 7 Key Players

Spilman and Don Sutton.

But Barry Rona, chief of the

Fehr said some damage cases

ers, including outfielder Kirk Gib-son and catcher Carlton Fisk, were declared free agents late Friday by an arbitrator in baseball's 1985 free-agent collusion case.

berroth had no comment. owners' player relations committee, said: "It's a bad decision" owners had conspired to restrict movement of free agents, said all 62 free agents in the 1985 class could would be filed immediately. Baldwin has said collusion cost Gibfile for individual damages. Gibson's agent, Doug Baldwin, son between \$3.5 million and \$4

said the player would begin enter-taining offers Monday from his present team, the Detroit Tigers, strong indication "We think [the ruling] is a very strong indication that the arbitraand other clubs. tor understands the violations and

Besides Gibson and Fisk, of the Chicago White Sox, the players were Tom Brookens of the Tigers, relief pitcher Donnie Moore and catcher Butch Wynegar of California, outfielder Juan Beniquez of Toronto and pitcher Joe Niekro of

Don Fehr, executive director of the Major League Players Associa-tion, which filed the collusion complaint, said the seven players had until March 1 to decide whether they wanted to continue to be free

Fehr said existing contracts between the players and their teams 'remain intact and unchanged" until a player signs a contract with a new club or the player decides, after March 1, to remain a free agent. If a player remains unsigned after March I and intends to continue as

The seven players declared free agents were among 14 from the 1985 group still active in baseball. The other seven apparently were

A RABBIT CHASED US

FOR FIVE MILES!

I'M CONSIDERING

DANGER

I 60

any

PURTITIES

WHO ELSE USES BARNYARD SCENTED STATIONERY?

The Associated Press they had subsequent chances to be LOS ANGELES — Seven playcome free agents. They are Danny them," Febr said. Dannage hearings them," Febr said. Dannage hearings them," Febr said. Dannage hearings them, "Febr said. Dannage hearings them," Febr said. Dannage hearings them, "Febr said. Dannage hearings them," Febr said. Dannage hearings them, "Febr said. Dannage hearings them," Febr said. Dannage hearings them, "Febr said. Dannage hearings them," Febr said. Dannage hearings them, "Febr said. Dannage hearings them," Febr said. Dannage hearings them, "Febr said. Dannage hearings them," Febr said. Dannage hearings them, "Febr said. Dannage hearings them," Febr said. Dannage hearings them. Darwin, Jim Dwyer, Tommy John, will resume Monday in New York, it. he added.

David Palmer, Jamie Quirk, Harry Fehr said the message to the owners was: "You colluded, you Baseball commissioner Peter Uc-

were caught, you're going to have season; to make it right. If it is a signal, it is \$790,000. a signal that the arbitrator intends to honor his obligation - to do justice, if you will."

Fehr said it would have been benter if the ruling were issued 18 months ago. "I would much rather there hadn't been collusion in the first place. I would like nothing better for the clubs to honor their

contracts," he said. Gibson returned to the Tigers with a three-year, \$4.1 million con- \$450,000.

dwin said after learning of Roberts's ruling. The criteria are aptheir posture is, and there will be Brookens .241 in 1987. some other teams. We will proba-

While not sure this was a landmark decision, Fehr said: "I think have liked for the ruling to be more it has been a good day for the players. We believe that certain kinds of relief were necessary and think it makes sense."

Gibson, who hit 277 last season with 24 home runs and 79 runs batted in, is the prize free agent of Parrish of Philadelphia. this group. It has been reported that a trade involving Gibson and Pedro Guerrero of Los Angeles was held up pending Roberts's ruling in 1985, the clubs' conduct in 1986. on Gibson's status.

arbitrator's decision," said Dan show you."

As for the other six players, Niekro is 43 and Fisk is 39. Niekro is under contract for \$800,000 this

season, while Fisk will get

Moore and Wynegar are physically questionable; Moore is in the final year of a three-year deal paying him \$850,000 this season, while Wynegar is getting \$733,000.

Neither Beniquez, who is pursuing arbitration with the Blue Javs. nor Brookens come close to star status. Brookens is signed for \$350,000 and Beniquez was offered \$344,000 in arbitration but wants

\$450,000. Niekro was 7-13 with a 5.33 Job with another team.

There are only a few clubs that Kirk would like to play for," Baldwin said after learning of the clubs that Company to the company of the company of the clubs that the clubs tha

Moore was 2-2 with five saves and a 2.70 ERA with California proximately the same now as they and a 2.70 ERA with California were in 1985. We obviously will be last year, while Wynegar hit 207 in talking to the Tigers to see what 92 at-bats. Beniquez hit 251 and

"What we don't know, and only bly go forward sometime next time will tell, is whether this has been an effective remedy for these players," Fehr said. "We would

sweeping."
Another arbitrator, George Nicolau, is expected to make a deciappropriate. This was one of them. sion this spring on collusion we're certainly glad to see it and think it makes sense."

sion this spring on collusion charges involving 1986 free agents, including outfielder Tim Raines of

"That's down the road," Fehr

the clubs' conduct in 1987, was so The only thing that the ballclub brazen, so blatant." He said it was says is that we will abide by the as if the owners were saying "We'll

#### WORLD STOCKS IN REVIEW / Via Agence France Presse

#### Amsterdam

Kirk Gibson

... The prize of the class of 1985.

Amsterdam stock prices scored a slight gain last week, after a jump of almost 10 points on Monday was whittled down during the rest of the week

Kempen & Co. brokerage house in Amsterdam said stock prices had now probably reached bottom.

The ANP-CBS general index closed the week at 214.1, a gain of 3.7 from 210.4 the

previous Friday.

Volume was 6.56 billion guilders, against 7.12 billion for the previous week.

Some Dutch companies reported satisfactory results as their financial year ended, and profit forecasts are more positive han analysts

Philips was under pressure because of uncertainty on the dividend yield.

#### Frankfurt

West German stocks jumped by 5 percent last Monday, on news of the reduction of the U.S. monthly trade deficit, but operators took profits on the following days.

The Commerzbank index finished at 1,246.4, up 17.5 points from the previous Fri-

The market suffered during the week from reaction to allegations that Nukem GmbH illegally transported nuclear waste, and from rumors of lower dividends to be paid by Deut-sche Bank, Daimler-Benz and Nixdorf. Friday brought some recovery, thanks to

foreign investors.

Volume for the week on the eight West

German stock exchanges totaled 9.92 billion Deutsche marks, against 8.44 billion the previ-

#### Hong Kong

Prices fluctuated on the Hong Kong stock market last week. The Hang Seng Index ended 7.39 points lower for the week at 2,422,38,

while the broader based Hong Kong Index finished 3.7 points down at 1.583.67.

Average daily volume was 936.6 million Hong Kong dollars, against 677 million the previous week.

The Hang Seng gained an impressive 82.42 points Monday as the market reacted positively to favorable U.S. trade statistics. A selling spree Thursday pushed the Hang Seng Index down in what many dealers de-

scribed as a nervous response to similar trends on major overseas markets. It recovered slightly Friday in bargain hunting.

#### London

Shares were dull over most of the week on the London Stock Exchange, on renewed wor-ries about the U.S. trade deficit and the dollar. A batch of discouraging British data, including a fall in the retail sales index for December and in industrial production for November, and a surge in bank lending figures by a record £4.5 billion (\$8 billion) combined to keep the market in the doldrums. However, values managed to shake off some

of the gloom by Friday, encouraged by improvement on the Wall Street and Tokyo markets, and by a reviving dollar.

The Financial Times industrial share index

ended 15.7 points down on the previous week. at 1,421.0. Trusthouse Forte and ASDA-MFI lost some

ground despite announcement of better than expected figures, while the gas company Calor Group showed strong gains after its decision to spin off its oil interest in a complex agreement with Dutch group SHV Holdings. Milan

After gaining 3.3 percent Monday, in line with trends in other world exchanges, Milan stocks fell back the rest of the week for a total

loss of 1.01 percent.

The Milan Stock Exchange Index, reset at 1,000 points at the start of the year, closed at 980 points, against 990 the previous week.

Olivetti, losing 0.53 percent, and Fiat, 0.3 percent, resisted well. But Montedison fell back 2.27 percent and Mediobanca, proposed by the previous week. partial privatization has just been approved by the state-owned group IRI, by 3.16 percent.

#### Paris

Paris stock prices declined last week to end-1985 levels, as many small stockholders bailed out on fears of losing even more money.

Prices lost 5 percent. The CAC index finished at 258.1, compared with 270.8 the previous Friday.

The January trading account wound up on Thursday, with a loss of 10 percent. Losses in previous trading months were 21.5 percent in October, 16 in November, and about 3 percent in December.

Analysts said that many small savers believe that things will get worse in the next few months, particularly because of uncertainty in connection with the spring presidential elec-

Bourse specialists look, on the average, for a further drop of 20 percent in prices this year.

Singapore
Favorable U.S. trade statistics brought a buying spree on the Singapore stock exchange last Monday, pushing up the Straits Times industrial index by 47.79 points to close at 917.59, its highest level since the October

But share prices fell during the rest of the week and the index closed 35.13 points lower at

Volume for the week was up by 35 percent to rose 50 percent, to 344.3 million Singaore dol-

Keppel Warrants remained the most active stock, with a turnover of 10.7 million units: 🔄

#### Tokyo

Share prices posted a substantial gain last week, as the dollar fluctuated against the yen and a leading interest rate was trimmed, triggering anticipation of a fresh cash influx into

the market The Nikkei average of 225 selected issues, down 268.91 yen the previous week, closed at 23,125.33 yen Saturday for a 521.83-yen weekly advance.

It was the first time that the Nikkei had topped 23,000 yen since Dec. 11. Volume rose to 513.8 million shares a day on average from 459 million the week before. The

value of stocks traded also rose to 544.18 billion yen a day, from the previous week's 438 Demand for export-oriented issues seesawed during the week, along with the fluctua-tions in the dollar.

#### Analysts predicted a further rise this week. Zurich

Zurich stocks had an irregular week. A strong rise on Monday on the U.S. trade figures was followed by a downward trend the rest of the week before a slight rise on Friday.

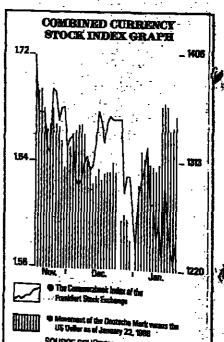
The Swiss Bank Corp. index closed at 463.3, up from 459.8 the previous Friday, and the Credit Suisse index at 411.0, against 408.3.

Operators said there were some signs of market recovery with somewhat higher way.

market recovery, with somewhat higher vol-ume and the appearance of new Swiss and foreign buyers. Insurance companies resumed

stock purchases.

Some stocks made big gains, such as Lindt, which ended the week at 20,750 Swiss francs, against 18,000 the previous Friday, and Alusuisse at 535, against 470.



SOURCE SCHORCH & PARTNER AG ... Zurich - Amsterdam

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Bank Corp. index does at ner, with something The insurance company to che made his saint substitution week at 10.79 Saints in the week at 10.79 Saints in the previous Friday at 10.79 Saints in the 10.79 Saints in

Wilander, Graf Win Open Titles MELBOURNE - Mats. Wimade conditions difficult for both lander of Sweden captured his third Australian Open on Sunday 4-I at the first rain break and man with a 6-3, 6-7 (3-7), 3-6, 6-1, 8-6 two points for 5-1 after the resumpvictory over Pat Cash, who had hoped to be the first native to win Cash's way.

Cash railied to force the secondlander of Sweden captured his players. Wilander led by a set and third Australian Open on Sunday 4-1 at the first rain break and had

women's title, setting up what she hopes will be a grand-slam year. In a four-and-a-half-hour match

sellout crowd of 15,000 at the new

Cash, 22, lost in the final for the

second successive year. In 1987 he

was defeated in five sets by Stefan Edberg, another Swede, who won

his second straight title. Since 1983, Wilander and Edberg have been the

only winners of the championship.

grand prix singles title for Wilander, who was the third seed.

"Pat showed great sportsmanship."

won Wimbledon last year and was

hoping to be the first Australian to

win the title in Melbourne since

Wilander won with steady, con-

servative play, making 76 percent

of his first serves, compared to 60

Bird 10-21 6-727, McHole 2-133-1224; WI

Mark Edmondson in 1976.

"It was a great match," he said.

The victory Sunday was the 27th

National Tennis Center.

He appeared to be on the verge of victory when he took the third set, which also was interrupted by rain. But Wilander did not wilt. He made few errors in the final two sets, while Cash often had to

scramble and lunge.
"It was windy at the beginning and I lost rhythm on my service,"
Cash said. "Mats was returning incredibly well.

"I'm not greatly disappointed, although I obviously wanted to win I felt I played well. I didn't feel tired in the fifth set. I just wasn't as quick as I would like to have been." Graf won her second grand-slam crown with a 6-1, 7-6 (7-3) victory over Chris Evert on Saturday, a first step toward a 1988 sweep Graf, the 1987 French Open

champion, said that accomplishing a grand slam -- winning the four major events in one year - was a tough goal.

"It's a good way to start — the best I could have," she said after beating Evert. "To win here is very important for the whole year, but I have won just one tournament. It's a long way ahead to start talking about winning a grand slam."
Evert, 33, winner of 18 grand

siam events, judged Graf's chi "I would be surprised if she won a grand slam, especially this year, Evert said. "I would be surprised if anybody won it — the competition is getting tougher.

Against Evert, Graf won the first percent for Cash, who also had 48 set handily and led 5-1 in the secmforced errors to 21 for Wilander. ond before the American rallied to



Steffi Graf: High hopes for 1988.

win five straight games. Graf recovered to win the next game and force the tiebreaker, which she won. Graf led the first set, 2-1, when

play was halted for 90 minutes by heavy rain. After a brief delay, officials decided to hold the rest of the match under the retractable roof at The match, which lasted an hour

and 11 minutes, was the first grandslam final to be played indoors. "I didn't have too much difficulty

with the roof and lights," Graf said "but she didn't seem to be into it."

the match. "The match depended on how I played," Graf said. "If I used my forehand, it was hard for her. If I

play well, I know how difficult it will be for another player."

Evert agreed, saying that Graf was "a much better indoor player."

The West German blamed impa-

though the American leads their series, 6-5. It was Evert's sixth Austra-

#### Tyson Puts Holmes Away in Four Holmes's handlers, in half-sleeve Holmes he made the strategic ad- survival-minded. And when he

By Phil Berger New York Times Service

ATLANTIC CITY, New Jersey Back in November, at the Larry Holmes Training Center in Easton. Pennsylvania, the man after whom the facility was named was standing before the speed bag, talking riffing, really — as his hands beat a

steady rhythm on the small bag. "I ain't going to do nothing to hurt me," he intoned. "I love me. Thank you, Jesus. Lord, have mercy. Thank you for giving me the will and determination to be a champion. Thank you for giving me the power to be strong."

Rat-a-tal rat-a-tal went the speed bag. Holmes took a deep breath, and continued:

"This old man is gonna shock the world! They going to say, '... and the N-E-E-W-W-W CHAAAAM-PI-0000N...!" At the Convention Center here

Friday night, no such words were spoken on Holmes's behalf. As before, the best laid schemes and dreams of Mike Tyson's opponents went awry.

In Holmes's case, they also went crashingly horizontal. In the fourth round of a scheduled 12-round bout, Tyson, the undisputed heavyweight champion, hit Holmes a thudding right hand to the jaw and confirmed what Holmes appeared to know from the moment he stepped tentatively from his corner for the openng bell: There was no way, at 38 and a grandfather, that he was going to withstand Iron Mike.

Three times in the fourth round, tience for letting Evert back into beginning with that persuasive right of Tyson's, Holmes went down.

After the first decking, Tyson did what he does best: He went after his man with a fury. Occasion-ally, Holmes shot back a punch. But mostly he was leaning this way It was Graf's fifth consecutive and that, trying to do with his up-straight-sets victory over Evert, alcouldn't -get out of harm's way of Tyson's pile-drivers.

Even as some of them missed, it was apparent that with Holmes twisting and turning from the punches he was no longer safely tucked behind his defenses; but instead was offering Tyson inviting new angles of attack. The third time Tyson knocked

him down, Holmes went down hard. There was no question in the mind of referee Joe Cortez that the fight was over. Not bothering to count, Cortez waved off further proceedings at 2 minutes 55 seconds of the fourth round.

red satin jackets bearing the words justment.

"SHOCK THE WORLD," clambered through the ropes, obviously 3 with 34 knockouts, did not turn fearful that their fallen fighter was up at the postfight news confer-badly hurt. up at the postfight news confer-ence. But his trainer, Richie Gia-

was all right. All right, in this case, was relaoffered faint praise. tive. In 50 previous fights, Holmes "Tyson is young and he's fast and he still don't know how to had been knocked down only three times, but he had never been knocked out. In most of those in-

nie Shavers, Renaldo Snipes) it had It may be that Tyson, undefeated been the right hand that battered him. Tyson, the beneficiary of the world's largest boxing film library — that of his managers, Bill Cayton able to defy some of those boxing and Jim Jacobs — had looked at more than a few of Holmes's fights

Holmes tried without success to

right hand.

stances (against Kevin Isaac, Ear-

Holmes, whose record is now 48chetti, made an appearance later at According to Cortez, though, chetti, made an appearance later at Holmes sat up and assured them he a party. Like so many of those who have the account of the same and the same and the same and the same are same as a same and the same are same as a same and the same are same as a same a go up against Tyson, convinced that his style is flawed, Giachetti

> box," said Giachetti. "He caught my man standing still, and I told Larry he couldn'i."

in 33 fights, with 29 knockouts, is not the textbook fighter. But he exists as a natural force in the ring,

and had noted Holmes's propensity time his right hand to Tyson's forfor carrying his left hand low, the ward rushes, the part of the champerfect reason for fetching him a pion's style that leaves him vulnerable. But Holmes lacked the Although Tyson's left book is conviction he had in his prime. In probably his best punch, against the first two rounds, he appeared cruiserweight championships.

deigned to act otherwise, Tyson took advantage.

of his powers.

With his previous victory over Tyrell Biggs, and with the knockout of Holmes, the 21-year-old Tyson seems to be growing more assured

"People are always saying I'm a cheese champion," he said afterward. "All those fighters that think I'm no good - just keep coming to the fights so you can get lessons."

■ DeLeon Keeps WBC Title

Carlos DeLeon retained his World Boxing Council cruiser-weight title Friday night with a unanimous 12-round decision over José Flores, United Press International reported from Atlantic City.

DeLeon, of Puerto Rico, bloodied Flores's nose in the seventh and backed him up the rest of the way to improve to 47-4. The Uruguayan has held the South American mid-

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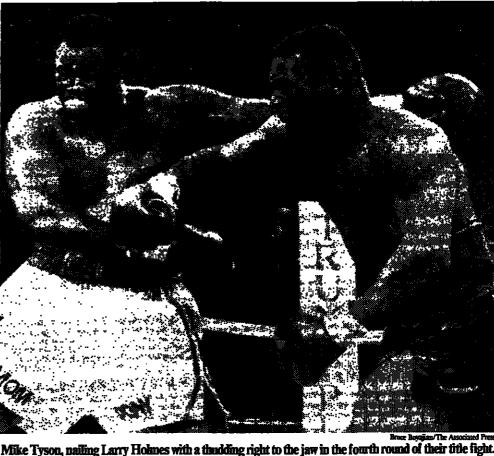
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Mike Tyson, nailing Larry Holmes with a thudding right to the jaw in the fourth round of their title fight.

#### SCOREBOARD

#### Basketball

NBA Standings U.S. College Results FRIDAY'S SCORES EASTERN CONFERENCE

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All Succision 16), Los Angeles 36 (Scott, Joseph 20) (Scotton 16), Los Angeles 36 (Scott, Joseph 20) (Scotton 16), Los Angeles 36 (Scott, Joseph 20) (Scotton 17) 27 (Jackson 14), Les Angeles 39 (Scott, John- E. Michigan 72, Ball St. 7)

Chicago 13-19 16-13 36, Passon 8-13 6-0 18; Higher St. 74. Texas At. 45. OT plins 5-10 4-414. Texasis 5-144-414. Gariand 6-171-1 12. Rehoeads: Golden State 18 (Fronk 6). Chicago 26 (Corzine 11). Assists: Golden State 21 (Hispins, Harris 1). Chicago 38 (Jardan 8). Bate 5-2 (Hispins, Harris 1). Chicago 38 (Jardan 8). Bate 5-4 (John 8). St. 59. Brisham Young 89, New Mexica 22 22-34 (Hispins, Harris 1). Chicago 38 (Jardan 8). Brisham Young 89, New Mexica 22 Colorada 53. 54. Wyoming 49 Engham Young 89, New Mexica 22 Colorada 53. 54. Wyoming 49 Engham Young 89, New Mexica 22 (Flows 4-16). Secrements 42 (Milliam 8). Assists: New York 10 (An. Jackson 42). Long Beach 51. 75. New Mexica 51, 57. New Mexica 52, 57. New

#### Tennis

Australian Open MEN'S SINGLES FINAL ider (3), Sweden, def. Pot Cosh

4), Australia, 6-1, 6-7 (3-7), 3-6, 6-1, 8-6.
MEN'S DOUBLES FINAL.
Jim Pugh and Rick Leach, U.S., def, Jeramy ones, Britoin, and Peter Lundgren, Sweden. WOMEN'S SINGLES FINAL

Sleffi Graf (1), West Germany, def. Chris Evert (3), U.S. 4-1, 7-6 (7-3). WOMEN'S DOUBLES WOMEN'S DOUBLES FINAL
Morting Noviatilipus and Pam Shriver, U.S.,
Mr. Chris Evert U.S., and Wendy Turnbuil Australia, 6-0, 7-5.

Jim Pugh, U.S., and Jana Nov lovakla, def. Tim Gullikjan

#### Hockey

**NHL Standings** 

rthe Division
28 14 6 42 237 178
27 16 7 61 219 167
20 20 6 44 171 180
14 26 7 39 148 185
16 29 5 37 186 232 FRIDAY'S RESULTS

Housley 3 (21), Rusultu 2 (19), Foli Los Angeles 2 9 1—3
Winnipee 2 2 1—5
Winnipee 2 2 1—5
Wilson (2), MocLeon (21), Kurusel (1),
Otousson (1), McBain (21); Fenton (15), Robitoille (30), Corson (28), Stots on goni: Los
Angeles (on Berthourns) 11—8—27; Winnipee (on Melasson) 9-7-15—71.
N.Y. Raneers
Vanceuver

Vencouver

Sondstrom 2-(15), Dohlan (16), Ogradrick
(16), Poddubov (20), Poterson (2); Sutter (9),
Skriko 2 (19), Shets en seal; New York (on
Caprice) 13-13-15—41; Vencouver (on Ven-SATURDAY'S RESULTS

> Detroit 1 1 2 4-4 Hull 2 (20), Mullen 2 (22); Propert (23). est: Calgory (on Eilat) 12-7-10-1-30; Detroit nby 2 (16), Howe (10), Poutin (14), Propp (17), Crossman (8); Crowder (15), Klu-zok (4), Larson (5), Bourque (11), Shels an yeat: Philodelphia (on Lemelin, Keans) 13-5-4—25; Boston (on Hextall) 10-13-18—41. Thomas (7), Larmer (19), Stupleton (2): Olczyk (22), Learmon (28), Shets on good: Chi-coso (an Wrappet) 17-10-9—36; Toronto (an

Meetredi 2 8 2-3 Gotasz (2), Lonev (5), Simmer (7); Dohlin (9), Weiter (9), Skrudland (6), Shets en goal: Pittsburgh (on Hayword) 11-612-1-30; Man-trool (on Pietraneolo) 18-19-9-44. Weshington
Tucker (6), Foligna (17), Ruutta (20); Gould
(7), Houlder (1), Gartner (21), Shots on goot:
Buttata (on Peeters) 8-8-2-21; Washington
(on Barrasse) 11-12-42-29.

yeartford 5 0 8-5 MacDermid 2 (13), Williams (a), Wilson (11), Saturelsson (4), Shots as paci: Alinneto-to (an Llut) 11-4-13-33; Hartford (an Secure, Taicke) 14-8-39. denontes 1 1 ( LY, Lylanders 1 1 ) Palvin (12), Sutter (18), Kerr (15); Simp 2 (32), Shets on eagl: Edmonton (on Hruday) 10-7-11—28; New York (on Futur) 7-13-7—27, Gootles—Edmonton, Futur, New York, Hru-113-6 Quebec 291-3 McKeoney 3 (22), Federko (10), Turnbull (9): Duchesne (11), P. Stoshw (31), Goulet

(25), Shots on peal: St. Louis (on Tupnul) 5-3-

#### European Soccer

olid 0, Real Modrid 2

Attelico de Modrid 2, Cadiz 1

Pescora 1, Inter Milan 1 Roma 3, Ascoll 0 Romin 3, Ascell 6
Torino 6, Aveilino 6
Verono 1, Florentino 0
Polsts: Nopoli 27; Allian 24; Romo 22; Samedorio 21; Inter Allian 18; Juventus, Verono 16; Torino, Cesano 15; Pescaro 14; Ascell, Fiorentino 13; Pisa, Como 11; Aveilino 8; Empeli 7.
ENGLISH FIRST DIVISION
Arsenol 1, Alemphysis (Initial 2)

Charitan 9, Liverpool 2 Chelsea 8, Parismouth 6

MEN'S OVERALL STANDINGS

MEN'S OVERALL STANDINGS
1. Alberto Tomba, Italy, 286 points
2. Pirmin Zurbrispen, Switzerland, 166
3. Gördher Moder, Austria, 96
4. Hubert Straiz, Austria, 93
5. Markus Wasmeler, West Germany, 85
6. Michael Mair, Italy, 74
7. Rob Boyd, Canada, 63
8. Frank Piccord, France, and March Girvellil. Lucembusing.

WOMEN'S DOWNHILLL

2. Brigitte Carill, Switzerland, 1:44,14, 1 Vereniko Wallinger, Austria, 1:44.60. 4. Michaelo Figini, Switzerland, 1:44.62. Petro Kronberger, Austria, 1:44.89. WOMEN'S SLALOM

, Akchelo Figini, Switzerland, 185 points. J. Brigitte Oertii, Switzerland, 173. 4. Maria Wollier, Switzerland, 143. 5. Blanca Fernandez Ochoa, Spola, 128. 6. Anita Wachter, Austria. 7. Sigrid Wolf, Austria. 94. a, Michaela Gerg, West Germany, and Ka-

#### Transition

basemon, to a one-year contract.
PHILADELPHIA—Signed Lance Parrish,
calcher, to a one-year contract,
BASKETBALL National Basketball Association

SPANISH FIRST DIVISION Vallocate d., Reci Macaria 2 Real Sociedad 3, Gilon 8 Murcia 1, Zaragaza 1 Belis 1, Los Palmas 1 Mollorca 2, Valencia 3 Sabadell 3, Athletic de Bilbao

ole; Bers 13; Sabodell 11.

ITALIAN FIRST DIVISION
1, Jovennus 1
1, Sompdorio 2
1, Plac 0
2, Ceseno 0

field Wednesday 34; Tattenham 33; Southamp-ton, Newcostle 32; Chelsea 31; West Ham 35; Partsmouth 24; Norwich, Coventry 25; Dec 24; Oxford 23; Walford 22; Chartlen 20.

#### **World Cup Skiing**

(At Leukerbod, Switzerband)

Michael Mair, (fuly, 2:19.08

Glorgio Plantanida, Italy, 2:17.42.

Werner Peruthoner, Ihiry, 2:19.49.

Bernhard Fahner, Switzerland, 2:19.75.

Felix Beiczyk, Canada, 2:28.13.

rdelli, Luxembourg. 62 18. Helmul Mayer, Austria, 61

WOMEN'S OVERALL STANDINGS

BASEBALL stop, to a one-year confract.

NEW YORK—Signed Dave Righetti, pitcher, to a three-year contract.

National Levive
CINCINNATI—Signed Nick Esosky, first

Barcelona Q, Osasuna 1 Cetta 2, Sevilla 0 Points: Real Modrid 32, Alletico Madrid, Real Sociedad 27, Bilbao 23, Valladolid, Osa-suna 21: Cetta. Cadiz 20; Zaragaza, Sevilla, Gilon 19; Barcelona, Vatencia 18; Mallorca, Español 16; Betis 15; Murcia, Las Polmas 13;

Chessed B, Parismouth 0
Newcastle 2, Tottenham 0
Southemsten 0, Nerwich 0
Watterd 0, Nothingham Forest 0
Peints: Liverpoel 62; Nothingham Forest,
Nanchester United 45; Everlan 42; Arsenal 42;
Winsbledon, Queens Park 40; Lufan 35; Shef-laki Waterday 21; Thankam 21; Eusthern

MEN'S DOWNHILLS

Doniel Mohrer, Switzerland, 2:17.53,
 Franz Heinzer, Switzerland, 2:17.91
 1gor Closita, Italy, 2:18.00
 Feita Beiczyk, Canada, 2:18.48
 Gustav Ochril, Switzerland, 2:18.56

wrgMEN'S SLALOM
(At Bodgestein)
1. Vreni Schneider, Switzerland, 38.41-40.79—1.19.11
2. Cheiden Vienning 2. Christo Kinshofer-Güthlein, West Germony, 38,94-40,74—1,19-73

1. Corisne Schmidthouser, Switzerland.

38.55-01,24—1,19-77

Daniel Mahrer won the men's race Sunday, posting his second downhill victory of the winter, while his compatriot Vreni

in 2:18.00.

Jay Murphy, torword, on the injured list, gastein. Schneider combined two

LEAGUE—Suspended Michoel Cooper, Los
Angeles Laker overd-forward, and Pot Cummings, New York forward, one some each for
their ports in a fight in a game Friday night.
GOLDEN STATE—Agreed to terms with
Dave Happen, center-forward, to a two-year contract.
WASHINGTON—Reactivated Dorreit
Walker, guard, from the injured list. Placed

#### Notre Dame Upsets Kansas; Sooners Hold Off Pitt The Associated Press ...



The Associated Press have tied the score.

vid Rivers was at the right place at four seconds left as the 11th-the right time against Kansas here ranked Sooners held off No. 6 Pitt. Saturday. Rivers made 14 of 15 free throws, including six in the final a 17-point deficil in the second half minute, and scored 29 points as to pull within 84-83 with nine sec-Notre Dame upset the 16th-ranked onds left on Jerome Lane's basket. Jayhawks, 80-76.

Notre Dame (11-4) trailed the points, was then fouled and hit entire first half and was down by 11 both ends of the one-and-one to with 13:39 left in the game before provide the winning cushion for 16-rallying. Rivers sealed the victory 2 Oklahoma. when he hit both ends of a one-andfouled the speedy senior guard on throws in the final 1:16, as Purdue, the inbounds play.

they took an early lead, we didn't tion's longest winning streak to 16 back down.'

With 1:13 left, Pritchard hit a 3-Dame. Danny Manning, who to-taled 22 points, scored off a re-bound with 32 seconds left but is 9-6 overall and 4-2 in the SEC. missed the first half of a one-andone with 15 seconds that could 82: In Albuquerque, New Mexico,

## Swiss Skiers Take 3 of 4 Races, Smith to snap New Mexico game home winning streak.

WORLD CUP SKIING LEUKERBAD, Switzerland -Swiss skiers won three of the weeksmooth runs down a short women's end's four World Cup races, taking slalom course to win Sunday in a one of two men's downhills here total time of 1:19.11. Christa Kinand two women's events in Badgashofer-Güthlein of West Germany finished second (1:19.73) and anoth-Daniel Mahrer won the men's er Swiss, Corinne Schmidhauser,

Two-time World Cup holder

ments of the joint together.

Sunday's was the fourth Swiss

the course upset the favorites.

Compiled by Our Staff From Dispatches

was third (1:19.79). It was Schneider's second victory while his compatriot Vreni of the season and the 13th of her Schneider was winning a women's career. Earlier this month she won sialom in Badgastein. a giant slalom in Tignes, France. Mahrer clinched the race in 2 Brigitte Oertli of Switzerland won minutes, 17.53 seconds, with a the combined event, which included speed surge at the end of the results of both weekend events, fin-

course, sweeping through an icy ishing second in the downhill Satur-curve and the stretch to the finish. day and 12th on Sunday. Franz Heinzer, his teammate, In the downhill, the last one for oner, finished second and third as was second, 0.38 seconds behind the women before the Olympics late starters profited from an indespite the handicap of starting next month in Calgary, she was creasingly faster course that had not like the land of light southers. first. Igor Cigolla of Italy, who defeated by her teammate Beatrice about 12 inches (30 centimeters) of started 32d, was a surprising third Gafner, who scored her first victory snow overnight.

In a continuous snowfall in Bad- places despite snowfall Friday.

of the season.

Marc Girardelli of Luxembourg course in 1:43.80. Oertli was timed crashed just before the finish line, in 1:44,14. Veronika Wallinger of injuring his elbow and ribs. The Austria placed third in 1:44.60 for

Gamer sped down the winding

results of both weekend events, fin-

has a steel pin holding the liga- team a favorite for the gold medal at Calgary. Michaela Figini of Switzerland, victory in six men's downhills this the favorite, who leads the downhill season, a string broken only by Rob and overall World Cup standings,

Michael Mair of Italy at Leukerbad 1:44.62 on Saturday, when fresh snow on She complained about the

course, which was thinly covered in

downhill race at this level," she Greensboro. North Carolina, jusaid. "It resembles a regional com-nior Danny Ferry tallied 29 points

standings to Figini, who has 185. In the men's downhill Saturday in Leukerbad, Mair surged to his first cup victory in more than two years, leading an Italian sweep in a topsy-turvy race. Mair started 10th and glided ele-

gantly down the circuit's longest throws to tie his career-high point course to win the season's fifth total, set two weeks ago against downhill in 2:19.08 for the third World Cup triumph of his career. Two little-known Italians, Giorgio Piantanida and Werner Perathoner, finished second and third as

and was a major disappointment for the Swiss aces. Pirmin Zurbriggen, the defending overall champion, placed below the points award- Champaign, Illinois, Ken Battle

surgery in the offseason and now downhills this season, making the course's bumps and icy curves, and Glynn Blackwel has a steel pin holding the ligateam a favorite for the gold medal. The two Leukerbad downhills took control early. replaced races on the classic Lau-berhorn course at Wengen, Austria, City, B.J. Armstrong scored 22 which were canceled because of a points and Bill Jones added 21 (and lack of snow. A super giant slalom a school-record eight steals) as Boyd of Canada in December and managed only fourth place, in on Monday also has been moved to lows, ranked 19th, rallied to win. Leukerbad.

this weekend in Maribor, Yugosla- left, but went on a 12-4 run to open This course is not worthy of a via. (UPI, AP) up a 95-85 edge with 3:58 to play.

scored 28 points and Mookie Blay-SOUTH BEND, Indiana - Da- lock made two key free throws with

The Panthers (13-2) rallied from Blaylock, who finished with 19

Purdue 91, Louisville 85: In Louone with three seconds left after isville, Kentucky, Troy Lewis Kansas (12-5) had taken its final scored 15 of his 23 points in the time-out and Kevin Pritchard second half, including five free ranked fifth in the country, sur-"We felt going in we could beat vived a furious second-half rally.

Kansas," Rivers said. "Even when Purdue (17-1) extended the na-

games, tying a school record. Kentucky 76, LSU 61: In Baton pointer for a 72-72 tie, but Gary Rouge, Louisiana, Rex Chapman Voce's basket put the Irish ahead. and Winston Bennett led a 10-3 Rivers hit both ends of a one-and-one with 42 seconds left after a ly in the second half, sparking the Prischard foul made it 76-72, Notre fourth-ranked Wildcats. Kentucky

Brigham Young 89, New Mexico

Robert Brickey, left, outreaching Ralph Kitley of Wake Forest, Oklahoma 86, Pittsburgh 83: in leading undefeated and 12th-Jim Usevitch scored 24 points, scored 10 points on Saturday to help Duke to its 103-70 ACC romp. Norman, Oklahoma, Harvey Grant ranked Brigham Young to a Western Athletic Conference victory. BYU also got 22 points from Jeff Chatman and 20 from Michael Smith to snap New Mexico's 13-Duke 103, Wake Forest 70: In

> Oertli boosted her point total to span to start the second half—as 173, moving closer in the overall the ninth-ranked Blue Devils racked up an Atlantic Coast Conference rout. After holding an 11-point halftime lead, Duke (12-2 and 3-1) rode Ferry's hot shooting to take a 57-39 lead with 17:51 left. Ferry made 10 of 15 shots and seven of seven free

- 10 of them during a two-minute

Missouri 119, Iowa St. 93: In Columbia, Missouri, Derrick Chievous came off the bench to score 30 his 24 in the first half as the Tigers

Missouri, 11-4 overall and 1-2 in-The course favored good gliders conference, built 30-point leads in the first half by shooting 66 percent and outrebounding ISU, 32-15. Illinois 79, Northwestern 48: In

Austrian-born racer had trouble the best finish of her career.

last year with a shoulder that kept

Gafner's victory meant that head in disappointment after an ranked Illini to a Big Ten Conferpopping out of joint; he underwent Switzerland remains unbeaten in only average performance over the ence rout Nick Anderson added 16 and Glynn Blackwell 12 as Illinois

> The Hawkeyes had trailed by as The next events for the women many as 11 points in the first half are statom and giant statom races and led by only 83-81 with 7:37

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MBINED CTRRENT OCK INDEX GRAPH

1,000

5. Janus, J.B.

Chico Wasteron 121, Oberlin 100
S. Louis SD, Butter 48
SATURDAY'S RESULTS
LA. Clippers
21 25 22 26—186
Sap Amendo
25 24 22 26—186
Authorid 9-19 7-7 25, Wood 8-12 4-5 21; Draw
10-12 4-124 Woodson 7-18-5-19, Rebounds; Las
Angeles 46 (Cape 11), Son Antonio 48 (Robertzion 101, Assists; Las Argeles 29 (Drew 7), Son
Antonio 29 (Wood 8).
Allimentuse
36 16 25 19—97
Oklohoms St. 74, Oktohoms St. 40
Aguirre 19-22-6-9 35, Harper 4-13-3-4-20; Press
Aguirre 19-22-6-9 35, Harper 4-13-4-20; Press
Aguirre 19-2-6-9 36, H

PARIS — The bicentenary of the French Revolution falls

next year and it will be grandly

commemorated - after all, the

centenary of 1889 gave the world

the Eiffel Tower — but the ques-tion is how? Commissions have

been appointed, papers published and studies made. There is no

answer in view. In an article headed "1789-1989: the Impossible

MARY BLUME

Anniversary," the newspaper Le Quotidien de Paris notes, "A sin-

gle question troubles the spirit: What is it that we shall be cele-brating in 1989?"

notion of the people rising against

injustice is no longer tenable in

the cold light of modern history

when no one can agree on who the people were, and when the very

word is loaded with political over-

Were the revolutionaries mere regicides? Did the middle classes storm the Bastille? Is Robespierre

a hero or villain? Was it all the

fault of Voltaire and what precise-

ly did the Vendée uprising mean? Was Louis XVI, as one historian

maintains, really German with only one-eighth of the blood in his

Even the year the Revolution

began has been questioned. The

noble parliament in May 1788.

confusion are French publishers who are doing a lively trade in books — one publisher says there

will be at least 800 - covering

every aspect of the Revolution

from every point of view. Says Le

Monde, a veritable monument of

paper has been erected to the

Revolution but no one knows

curse. One privately printed book leaves no doubt: illustrated by

prints of bloodthirsty hooligans

in Phrygian bonnets, it is called, "Why We Won't Celebrate 1789."

In fact, the nuanced judgment

seems to be that it will be 1789,

rather than the Revolution, that

will be fêted. "We will celebrate

1789, the joyous revolution, and

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So far the beneficiaries of the

veins French?

What indeed? The romantic

Right.

a huge outdoor concert by Jean-Michel Jarre on Bastille Day and

a Revoparc, or revolutionary

theme park, on an undetermined

site in the Paris region. In June 1988 there will be an exhibition of

136 commemorative projects at

La Villette, and next month the second issue of the Mission's newspaper, "Bicentenaire 89." will be published despite the edi-

tor's problems in finding contrib-

ntors among historians from the

A company is selling miniature guillotines for 380 francs, plus

postage, and the Mint, or Monnaie, is producing special coins including a tricolored 10-franc piece on which the blue unfortu-

nately did not come out as hoped.

The Monnaie is also selling com-

memorative earrings, clips, brace-lets and chains, most of which

bear the effigy of Louis XVI and

Marie-Antoinette, although several have an emblem of Liberty

The bicentenary of the French

Revolution was to have been cele-

brated by a marvelous World's

Fair, which was canceled. In ret-

rospect, it looks as if it would

been bigger and better, but that's that," Didier Hamon says. The 1889 World's Fair, in addi-

tion to the Eiffel Tower, gave Par-is a new Sorbonne building and a

200. The only permanent pur-pose-built reminder of the 1989

bicentenary will be a huge arch in

the Défense section just outside Paris. At Edgar Faure's instiga-

Presumably, once funds start

pouring in the Mission du Bicen-

tenaire will move out of its pre-

have been the best sort of commemoration: revenue-producing, tourist-attracting and totally un-controversial. "It would have

on the reverse.

# Cut to Chase and Rule, Rule, Rule

By William Safire

WASHINGTON — Keep your eye on ruling "confused with the jet set," I am told by Cathina Confused with the jet set, "I am told by Cathina Confused with the jet set," I am told by Cathina Confused with the jet set, "I am told by Cathina being used here as a participle to mean "advanced, with-it, avant-garde" or "in." Two quite different

called a celebutante (a combination of celebrity and debutante), in particular the suddenly well-known Lisa Edelstein of New York City, who was cutting a swath through New York society for reasons obscure to

Comes now a new magazine called IN Fashion. There on the cover picture of Charlie Sheen and

of Women's Wear Daily; it updates cafe society, which was the term used in the '20's to separate the merely celebrated from the old-line, old-money, "real" Society, often broke but always capitalized. In Cleveland Amory's 1960 Who Killed Society?"

the coinage of cafe society was pinpointed to an evening at New York's Ritz in 1919, when the first "Cholly Knickerbocker" — the columnist Maury Paul — noted that Society figures were dining out on Thursday nights (maid's night off), and concluded that a new night life was dawning, which he dubbed

café society.

Now we are titillated by nouvelle society. The use of the French adjective nouvelle was probably inspired by nouvelle cuisine, which in turn was rooted in nouvelle vague, a phrase used by film directors in the late 1950s

meaning "new wave." The feminine adjective nouvelle matched the feminine noun société (though in France, leaders of the big-money establishment and their debutante daughters are called le beau monde, "the beautiful world," I am informed by Women's Wear's Patrick McCarthy). Nouvelle contrasted suitably with the masculine nouveau, which called up nouveau riche, a label that the longtime snooty hang on the recently snooty; these moneyed pretenders are also sniffed at as social climbers by those to the manor born who know how to wield a lorgnette (cyeglasses attached to a handle, once

defined as "a dirty look on a stick"). In societese, nouvelle society is New York-based and

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freshly wealthy or newly notable. "It's not to be confused with the jet set," I am told by Claudia Cohen,

Beautiful people, a phrase possibly rooted in le beau monde, is attributed to the Vogue editor Diana Vocwith it, avant-garde" or "in." Two quite different senses are in use, confusing the incognoscenti: the first is "doing well, going along fine," as in "My day is ruling"; the second sense is "socially dominant," as in "Jackie O. rules."

Dowd is a certified Lexicographic Irregular, but the only written citation for this locution was in a piece she wrote that appeared in The New York Times Magazine on Nov. 9, 1986, about a social phenomenon solved a satisfaction to the Vogue editor Diana Vree-land in the 1960s, though some say it was the comage of copy chief Rosemary Blackmon; however, the term is passe today. So is jet set, which first appeared in 1951 to describe the fashion-conscious group that used jet aircraft to take them to the world's watering spots in passionate pursuit of pleasure. The same place of the vogue editor Diana Vree-land in the 1960s, though some say it was the comage of copy chief Rosemary Blackmon; however, the term is passe today. So is jet set, which first appeared in the 1960s, though some say it was the comage of copy chief Rosemary Blackmon; however, the term is passe today. So is jet set, which first appeared in used jet aircraft to take them to the world's watering spots in passionate pursuit of pleasure. The same place of the vogue of the vogue of the property of the same place in the same plac

Smart Set became the name of an American magazine edited by George Jean Nathan and H.L. Mcneken.

According to the gossip columnist Liz Smith, the term jet set is a victim of technologically induced egalitarianism: "These days, everybody's in the jet set who wants to go anywhere. There's no other way. A message left on Edelstein's telephone-answering to go, so the elitist connotation disappeared." She sees device by one of her gentlemen friends said, "I'm in a the term nouvelle society as nouveau riche with the sting tizzy, um. It's my day and it is not ruling." Transcribing this cryptic message, the reporter explained: "Ruling, once part of the street argot of the 1960s, is the
current chic word for being cool or powerful, for say I was designated by W, the Fairchild journal, as
controlling a situation." In this case, not ruling meant
"m" one year, and the columnist Art Buchwald was proceeding in stress-causing manner, upsetting one's "out", Art cut me dead the next time we met, but with this new, profound understanding of the term, we can be read in the same circles again.)

Glitterati has fallen into disuse; this 1940 comage Charlotte Lewis, apparently known as "Hollywood's like the more recent celebutante, is what Lewis Carroll Hottest Couple," is the headline: "Ruling Style," called a portmanteau word, after a suitcase that opens subheaded "Fashions on the cutting edge." into two parts. It is based on glitter (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse) and the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse) and the Old Norse glittra, "sparkle, shine") and literal (from the Old Norse) and the Old Norse) and the Old Norse glittra, "sparkle, shine" and the Old

A LOCUTION to watch is brai pack, based on Frank Sinatra's Hollywood rat pack. This applies mainly to young authors who write what is called hip actions with nauvelle society characters.

A recent advertisement by Bloomingdale's (featuring short skirts, high heels and a color called "poison green") was headlined "Bright Nights Big City / The Rules of Attraction." Ann. Hise Rubin of The New York Times alerts me to the allusions to "Bright lights Big City." Lights, Big City," a novel by Jay McInemey, and "The Rules of Attraction," a novel by Bret Easton Ellis Both men are successful hip-lit authors.

What sort of lingo do these people speak? Apparently they are influenced by movie industry talk. Sally Quinn, anthor of "Regrets Only," reports a new term raging through this crowd that is synonymous with "get to the point," or "bottom line," or "here's what I'm getting at." It is cut to the chase, from the movie habit of cutting, or switching, to the chase.

I ran cut to the chase past Maureen Dowd, who had not yet heard it, but bid me toodle-oo with the words. "Dissolve, dissolve, dissolve." That is at the end of a scene in a movie script, and I suspect is a way of saying, "I'm leaving now," or, "I'm history." You, too. can swing with the swelegant and heat up with the hottest couples. If your day isn't ruling, cut to the chase and dissolve, dissolve, dissolve.

An anonymous artist depicts the "truth of the Revolution" (right); another sketches one of its betterknown instruments.

not the bloody revolution that fol-lowed," says Didier Hamon, who Dauphine region of France has announced its intention to begin has been seconded from the Minits celebrations one year early on the grounds that the revolutionistry of Culture to run the Mission ary impulse was given at the Gredu Bicentenaire, which was created jointly by President François Mitterrand and Prime Minister

Jacques Chirac. "Anything you say about the French Revolution has got an immediate party political refer-ence," says the British historian Eric Hobsbawm, who attended an indecisive meeting of historians in Paris last March to discuss how the Revolution should be comwhether the monument's purpose memorated. "So whatever comes is to praise or blame, cherish or out at the end will presumably be

some kind of cohabitation." One date that is incontrovert- is one of his pet subjects. ible and that has long been associ-ated with such apolitical acts as dancing in the streets and setting off fireworks is July 14, when the Bastille fell. Even so there is now a slight question about how long
July 14 lasted: According to Edgar Faure, the president of the

slight question about how long
thing?"

"Very easily," Faure replied, rate the Revolution in the way going smoothly on to discuss the they think best."

Edgar Faure, the 80-year-old

France's 'Impossible Anniversary'

politician whose distinctions are varied and many and who is known for his nimbleness of mind and volubility of tongue, has proved to be the ideal spokesman for ideological cohabitation. He talks mostly about the Declaration of the Rights of Man as the most enduring and least contentious event of the Revolution and, the future being less controversial than the past, he likes to emphasize the year to come: the Rights of Man in the Third Millennium

"How," a woman demanded of him at a recent bicentenary event. "can you imagine that the descendants of people whose heads were cut off would celebrate such a

Mission du Bicentenaire, it began movement of ideas and the banon the evening of July 13 and ner of liberty which enveloped so lasted until the morning of July many aristocrats. "Reconciliation is the big theme," he said.

The Mission du Bicentenaire, less surefooted than its president, has yet to publish its preliminary schedule of events promised for last September. The Mission is taking eager tuition from the tion, there will be a center for the United States, not in how to organize a bicentenary but in how to attract private funds, le sponsor-ing as it is called in French. Half the bicentenary's 100-millionfranc (\$18-million) budget is expected to come from private sources.

The festive side will be very important," Didier Hamon says, "because it is the least contested. Everyone likes a fête. We will organize the bicentenary in a certain way but this is a free country and each community, each group,

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sent state of vivacious lethargy and into discernable action. The

crosspiece

problem, Didier Hamon says, is to coordinate activities that are so decentralized and so divergent and so different. The Mission has its headquarters on rue Talleyrand, named after Charles Mau rice de Talleyrand (1754-1838), the French statesman who once observed that those who had not lived before the revolution would never know how sweet life is.

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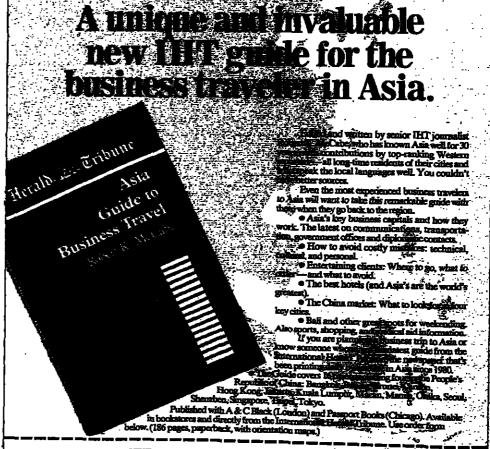
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